TOKIO MARINE HCC

HCC International Insurance Company plc

Annual Report and Consolidated Financial Statements

Year ended 31 December 2022

tmhcc.com

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TOKIO MARINE HCC

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Business Structure

HCC International Insurance Company plc (HCCII), a United Kingdom (UK) insurance company, and its subsidiaries (the Group) is part of Tokio Marine, whose ultimate holding company is Tokio Marine Holdings, Inc. Tokio Marine is a leading international insurance group located in Tokyo, Japan that has 268 subsidiaries and 26 affiliates located worldwide, which undertake non-life and life insurance and operate within the financial and general business sectors, (including consulting and real estate).

As of 31 December 2022, Tokio Marine had total assets of ¥28.62 trillion (2021:¥27.05 trillion) and shareholders' equity of ¥2.09 trillion (2021:¥2.07 trillion). Standard & Poor's Financial Services LCC (S&P) have given Tokio Marine and a number of its major insurance companies have a financial strength rating of A+ (Stable).

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

TMHCC International, which had Gross Written Premiums (GWP) of $2.49billion in 2022 (2021:$2.30billion), is the operating segment outside of the US. Located in the UK and Europe, TMHCC International (illustrated by the structure chart below) underwrites business on four different insurance platforms: HCCII, its wholly owned subsidiary; Tokio Marine Europe S.A. (TME), which is a Luxembourg-based insurance company; HCC Syndicate 4141 (a wholly aligned Lloyd's syndicate); and Houston Casualty Company (UK Branch). The platform used is based on prescribed rules and client choice if licensing permits.

At 31 December 2022, the Group's subsidiaries were:

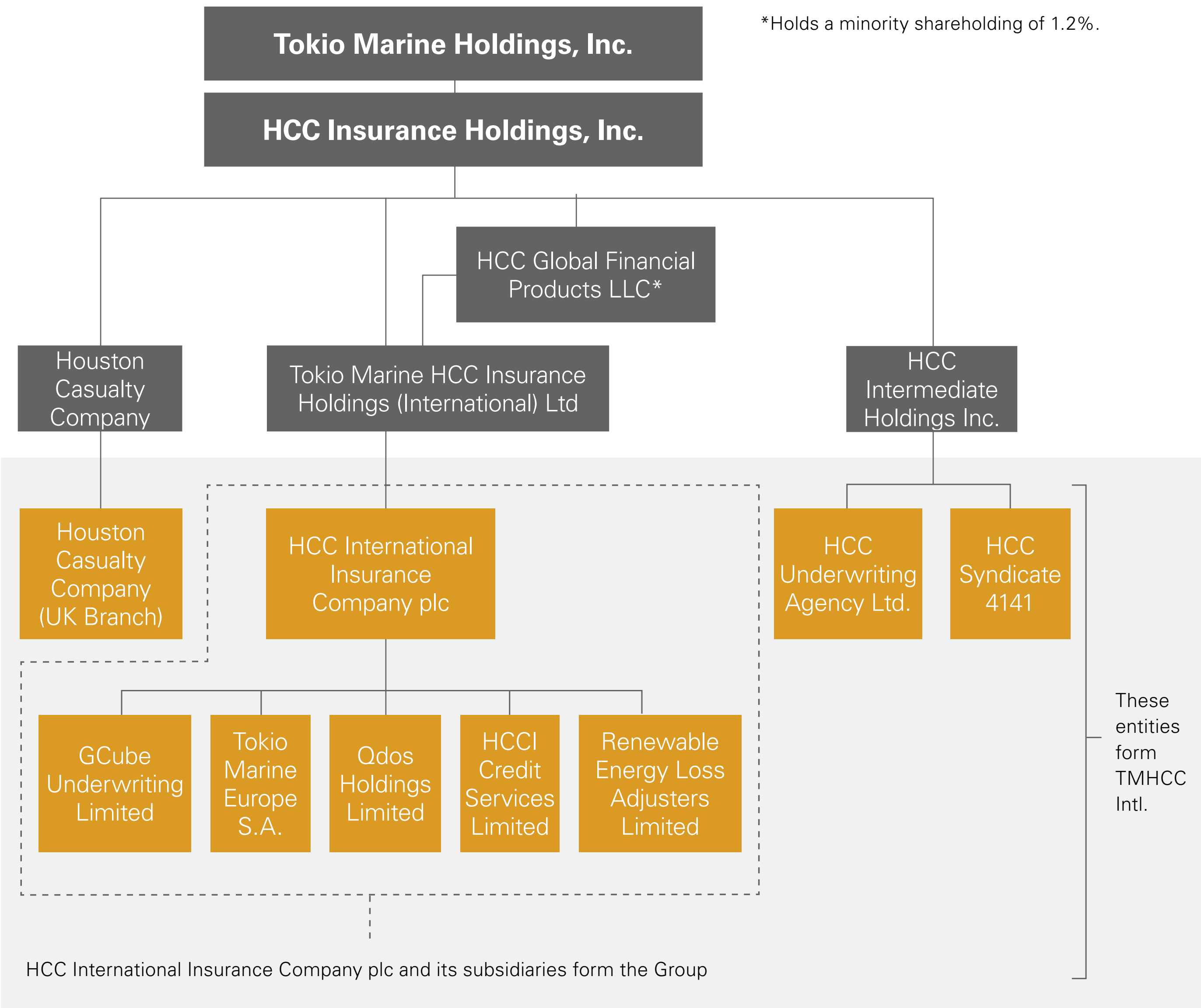
- TME. A Luxembourg-based insurance company;
- GCube Underwriting Limited (GCube). An underwriting agency, that is one of the largest global writers of renewable energy, covering wind, solar, bio, hydro, wave and tidal projects;
- Qdos Holdings Limited (QHL), a UK underwriting agency and its wholly owned subsidiary, Qdos Broker and Underwriting Services Limited (QBuS). These distribute Professional Indemnity (PI), Employers' and Public Liability (EL & PL) and Tax Enquiry and Liability insurance to the UK small contractor market via Qdos Shop, an online digital distribution platform;
- HCCI Credit Services Limited (Credit Services). Provides data and information services and procurement of other services integral to the underwriting of several products within the International Specialty business;
- Renewable Energy Loss Adjusters Limited (RELA). Provides loss adjusting services to insurers of large renewable energy projects.

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

During 2022, the Group conducted business in the UK and Europe through:

- **HCCII** — **Principal offices in London, its regional offices across the UK, and its branch in Switzerland.**
- **TME** — **Branches in Spain, Ireland, France, Germany, Italy, Denmark, Belgium, Norway, the Netherlands and the UK.**

The results of the Group are included within these consolidated financial statements for the years ended 31 December 2022 and 2021.



Information as at 1 March 2023. This simplified structure chart shows ownership information for the principal operating entities within TMHCC International.

Geographical footprint

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

*** 3 offices

TOKIO MARINE HCC

Strategy

The Group's fundamental strategic goal is to produce an underwriting profit and investment income resulting in consistent net earnings that will increase shareholder value. This has been consistently accomplished through diversified businesses led by those who are the best in the business, a comprehensive reinsurance programme, and a conservative investment policy. This strategic approach is supported by TMHCC International's culture, which is underpinned by its core values: professionalism, discipline, honesty, respect, and trust.

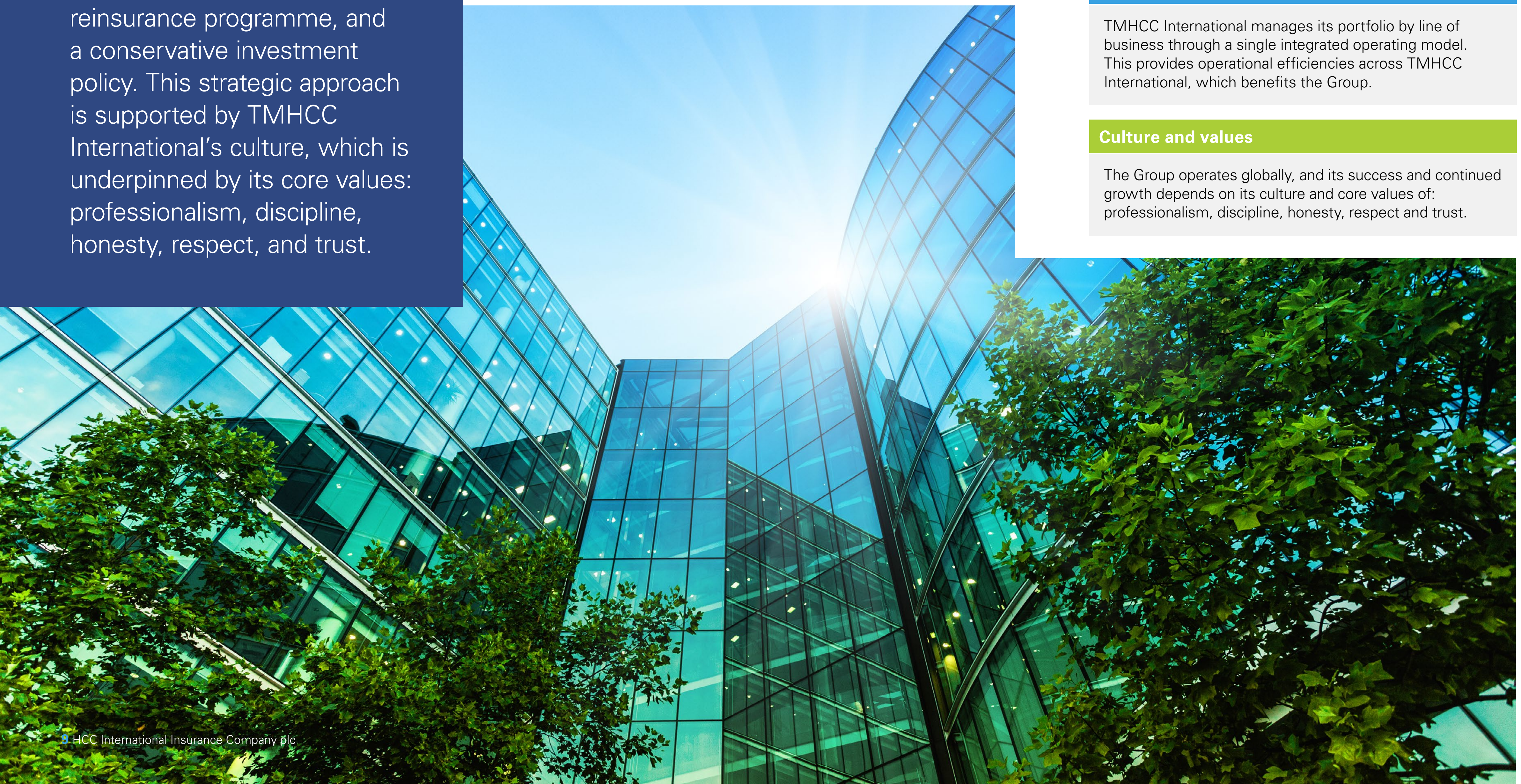
Strategic Objectives

- Maintain a diversified portfolio of non-correlating businesses.
- Ensure sustainable growth through:

  expansion
  of the Group's brand throughout the UK regional market, the London Market and the rest of Europe;

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

- Maintain management, organisational and governance structures that are appropriate for, and support, the Group's growing business.



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

Diversified portfolio of specialty business

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

Operational efficiency

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

Culture and values

The Group operates globally, and its success and continued growth depends on its culture and core values of: professionalism, discipline, honesty, respect and trust.

Skilled and entrepreneurial management

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

Prudent risk management

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

Financial security

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

Strategic Initiatives

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

The Group has undergone a period of significant growth, having acquired new companies and underwriting teams and established new lines of business alongside organic growth. Following this, the Group's focus has been to embed the new businesses and underwriting teams within the Group's operating model. This has positioned it to leverage market opportunities more quickly and flexibly than its competitors.

The Group has also reviewed its operating model to ensure it continues to align with the Group's long-term strategy and business model. In addition to this, it seeks to strengthen its operational functions through increased resources and transformation initiatives that will support systems and processes.

Business Model

Purpose

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

Generating Value

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

Financial Capital

The Group has a strong balance sheet; its capital is well in excess of regulatory requirements, and HCCII and TME both have a financial strength rating of A+ from S&P. This rating is equivalent to the rating of the Group's ultimate parent company, as S&P views HCC Insurance Holdings, Inc to be core to Tokio Marine. The Group's financial performance (detailed in the Business Performance section on pages 17 to 26) consistently generates value for its shareholders.

Stakeholders

Strong stakeholder relationships are important, including clients, distribution network, shareholder, regulators, and suppliers. The Group's relationships with its stakeholders are vital to its ongoing success. The actions it takes in respect of those stakeholder relationships are detailed on pages 48 to 54.

The Group has technology solutions that generate value throughout its business. These include catastrophe modelling and aggregation tools; e-distribution portals for its products; capital modelling tools; policy and claims administration systems; and IT security software to increase its IT resilience. The Group continues to invest in technology as the business grows.

The Group recognises that throughout all areas of the business it needs to attract and retain highly skilled, disciplined, and experienced individuals of exceptional quality who thrive in a constantly changing environment. From this strong foundation, Group leadership can empower its team to provide specialty insurance solutions that consider the impacts of climate change, technological disruption and other issues that may adversely affect clients. The actions the Group takes to manage, sustain and develop its employees are detailed in the People section on pages 31 to 32.

Technology

Employees and Intellectual Capital

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

Face risk with confidence

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

Distribution network

Providing clients with products through the distribution network

Reserves

Accurate, reliable and consistent reserves with S&P rating of A+

Underwriting and managing risk

Disciplined underwriting, careful risk selection and risk reinsurance

Claims management

Treating customers fairly, timely processing and settling of claims

Investment

Preserve and grow shareholders' equity through conservative treatment

Fundamental principles

Face risk with confidence

The Group's core business is underwriting Specialty lines of insurance. The Group has three core underwriting segments: International Specialty; London Market; and J Business. More details are provided on pages 15 to 16.

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

Providing clients with products through the distribution network

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

Underwriting and managing risk

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

Reserves

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

Investment

The Group has a conservative investment strategy. It invests funds in accordance with the Solvency II risk-based approach to investments and the 'prudent person principle', which ensures that assets are: of appropriate security, quality and liquidity; adequately diversified; and broadly match the Group's liabilities.

Claims Management

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

Products

The Group has three core underwriting segments:

1 International Specialty	Contingency; Credit & Political; Credit; Liability; Cyber; Directors & Officers; Transactional Risk; Professional Indemnity; Surety
2 London Market	Marine; Energy; Accident& Health; Property; Renewables; Reinsurance
3 J Business	Property; Marine & Aviation; Liability

Financial Key Performance Indicators (KPIs)

GROSS WRITTEN PREMIUMS

2022 $1,681.3m

2021 $1,628.5m

Increase of **$52.8m**

NET PREMIUMS WRITTEN

Net of reinsurance.

2022 $1,091.8m

2021 $1,030.8m

Increase of **$61m**

UNDERWRITING RESULT

Balance on technical account (before investment income).

2022 $220m

2021 $187m

Increase of **$33m**

NET LOSS RATIO

Ratio of net incurred claims to net earned premiums.

2022 48.2%

2021 45.3%

NET COMBINED RATIO

Ratio of total technical charges (before investment income) to net earned premiums.

2022 79.8%

2021 79.6%

INVESTMENT INCOME

Earned investment income transferred from the Non-Technical Account.

2022 **$35.0m**

2021 **$29.5m**

CASH AND INVESTMENTS

Excluding investment in subsidiaries and land and buildings.

2022 $2,105.0m

2021 $2,111.8m

Decrease of **$6.8m**

CONSOLIDATED SHAREHOLDERS' FUNDS

2022 $999.0m

2021 $1,132.6m

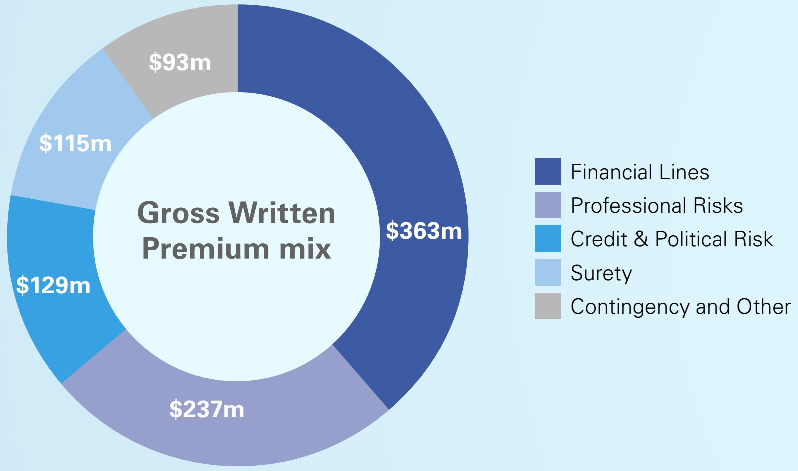
Decrease of **$133.6m**

Underwriting Segments

International Specialty

The International Specialty lines of business are comprised of:

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



Gross Written Premium
$937.7million
(2021: $931.8million)
↑ $5.9M

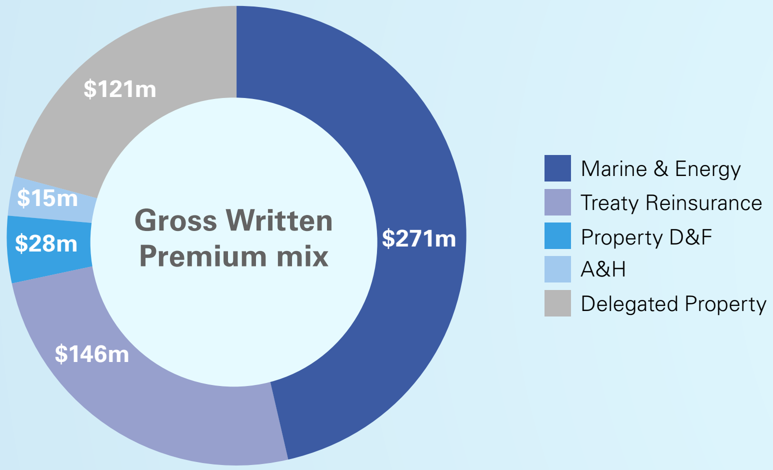
Underwriting Result[1]
$125.7million
(2021: $144.5million)
↓ $18.8M

[1] Underwriting result excludes exited lines and other

London Market

The London Market segment includes the following lines of business:

- Marine & Energy;
- Treaty Reinsurance;
- Property Direct & Facultative;
- Accident & Health;
- Delegated Property.



Gross Written Premium
$581.0 million
(2021: $521.8million)
↑ $59.2M

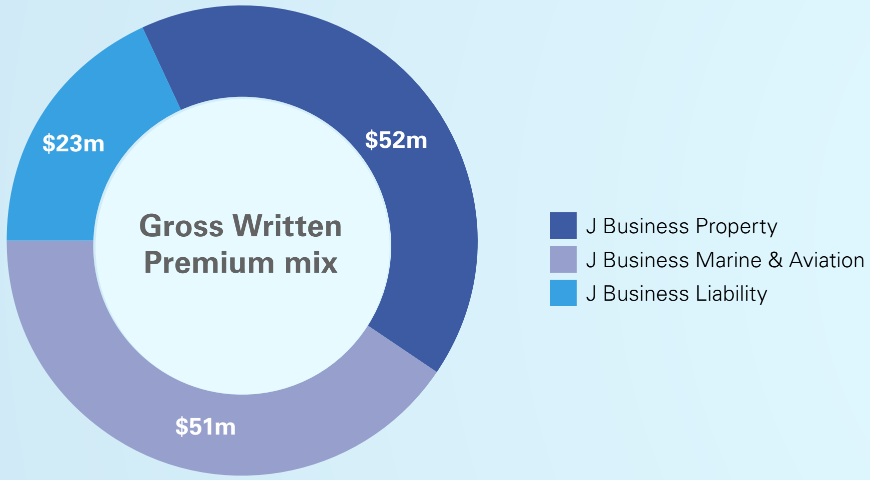
Underwriting Result[1]
$94.5 million
(2021: $51.1million)
↑ $43.4M

[1] Underwriting result excludes exited lines and other

J Business

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

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



Gross Written Premium
$162.6m
(2021: $174.9m)
↓ $12.3M

Underwriting Result[1]
$8.9million
(2021: $4.7million)
↑ $4.2M

[1] Underwriting result excludes exited lines and other

Results and Performance

The Group's growth has continued in 2022, with GWP of $1.7billion (up 11.5% excluding foreign exchange (FX)). This reflects growth in the underlying portfolio driven by strong market conditions across the Group's segments, particularly London Market (up 17.6% excluding FX), with varied growth across the lines in International Specialty (up 9.7% excluding FX). Growth in London Market is a result of growth in the underlying portfolio driven by Marine Liability and Delegated Property, both of which benefitted from significant new business, and Treaty Reinsurance, where the rating environment has improved significantly in response to the catastrophe (CAT) losses in 2020 and 2021, with this trend expected to continue in the aftermath of Hurricane Ian. International Specialty growth has arisen from Professional Risks, where the ratings environment has improved, particularly in UK PI. Performance in the segment has been somewhat dampened by challenging ratings conditions in Financial Lines and the impact of FX.

The underwriting result on the technical account excluding investment income was $220.0million (2021: $187.0million), resulting in a combined ratio of 79.8% (2021:79.6%), with strong profits from both the London Market and International Specialty segments.

In the London Market segment, the 2022 technical result was $94.5million (2021: $51.1million). Results were driven by the impact of the top line growth described above and the lack of significant CAT loss activity in the year, in contrast to 2021, which had been heavily impacted by losses from the European Floods.

In the International Specialty segment, the 2022 technical result was $125.7million (2021: $144.5million). The reduction in the result reflects the flat top line growth and adverse loss experience, with Credit & Surety and Professional Risks outperforming expectations but worse than 2021 and Financial Lines having another challenging year for prior year loss development.

In 2022, the J Business segment contributed $8.9million (2021: $4.7million) to the technical result. Given the nature and complexity of the J Business and its importance to the larger global portfolio, the business is fully ceded to Tokio Marine & Nichido Fire. The contribution to the technical result represents the ceding commission, which is set to achieve moderate profit for the Group and covers the acquisition and operating costs of the business.

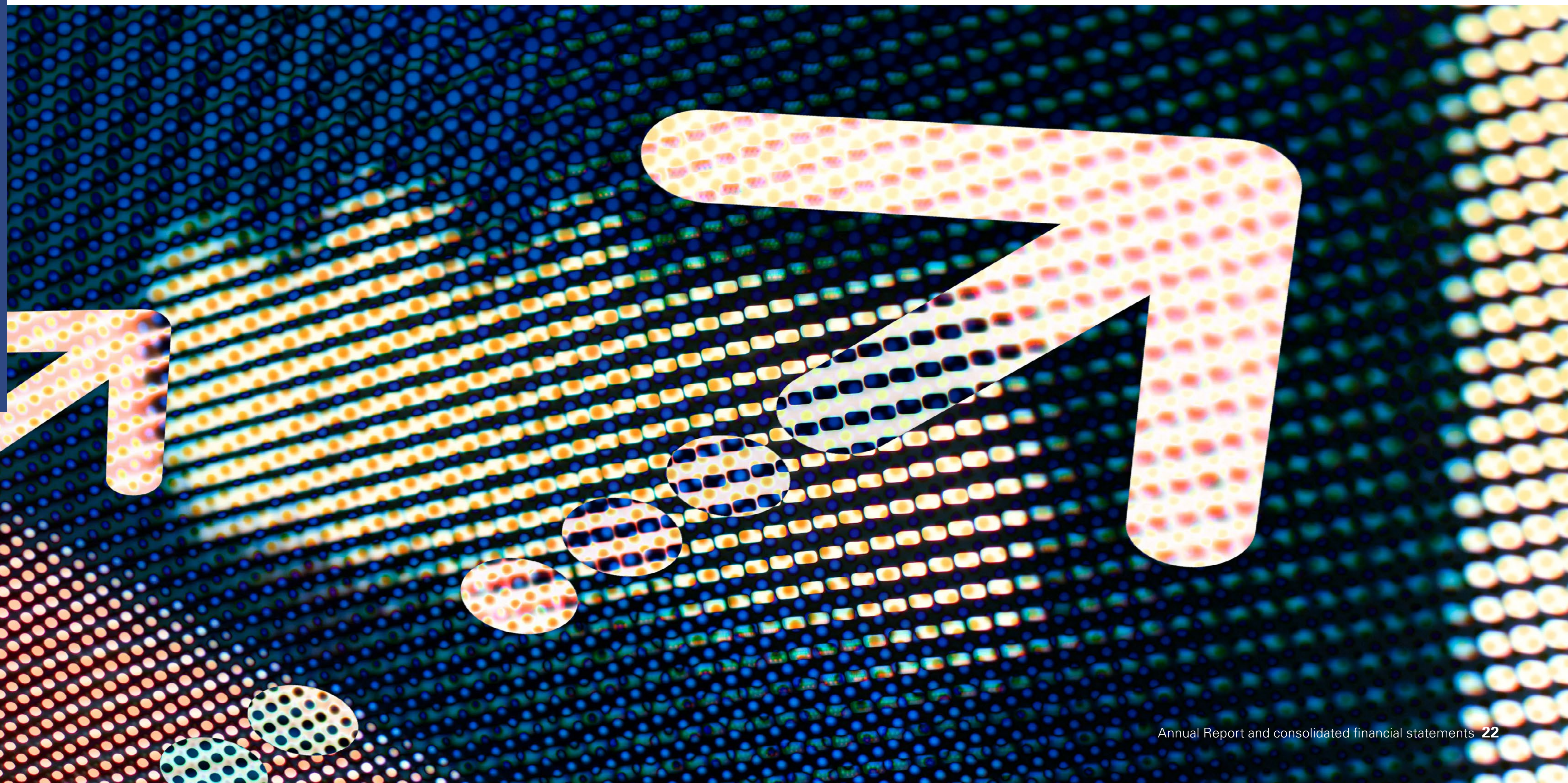
For the financial year 2022, the Group made a net loss before tax of $9.6million (2021: $166.7million profit) of which $255.1million profit (2021: $216.5million) was from the technical account for general business which included investment income of $35.0million (2021: $29.5million). The investment return contributed significant volatility to the results compared with the prior year, due to the movement in unrealised losses/gains consistent with market conditions and the US interest rate environment.

In 2022, unrealised losses on the Group's fixed income portfolio totalled $234.2million (2021: £37.6million) from the interest rate environment. During 2022, rates rose across the US Treasury curve during the year, as well as an expectation of additional rate hikes by the Federal Reserve in response to persistent fears of rapid inflation caused significant market volatility. The Group's investment approach is to hold investments to maturity which will result in a reversal of unrealised losses and gains over time. FX losses totalled £6.9million (2021: £13.9million).

The non-technical account items also included amortisation of goodwill and intangible assets totalling $10.1million (2021: $11.5million) and other operating expenses.

Investment income transferred to the technical account was $35.0million (2021: $29.5million). The increase in investment income is a result of reinvestment of bonds at higher yields. The earned investment income (net of investment expense) reflects the Group's conservative investment policy. The Group's solid operating cash flow and robust capital position supports this approach over one of managing total yield inclusive of unrealised gains and losses.

Overall, the Directors are satisfied with the Group's operations and its financial position as at 31 December 2022.



Gross Written Premium

2022 GWP increased by 3.2% ($52.8million) to $1,681.3million (2021: $1,628.4million). This was driven by improved market conditions on existing business lines – most notably across the London Market sub-segment.

The significant growth in the Group's GWP from 2018-2022 is illustrated below.

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

	2022	2021	Increase/ (decrease)		2021 GWP at 2022 rate	Increase/ (decrease) excluding exchange effect	
	$'m	$'m	$'m	% change	$'m	$'m	% change
Financial Lines	363.4	385.9	(22.5)	-5.8%	357.5	5.9	1.7%
Professional Risks	236.7	214.5	22.2	10.3%	193.8	42.9	22.1%
Credit & Political Risk	128.9	120.3	8.6	7.1%	113.6	15.3	13.5%
Surety	115.3	119.4	(4.1)	-3.4%	107.4	7.9	7.4%
Contingency and Disability and Other	93.4	91.7	1.7	1.9%	82.6	10.8	13.1%
Total Specialty	**937.7**	**931.8**	**5.9**	**0.6%**	**854.9**	**82.8**	**9.7%**
Marine & Energy	270.8	273.0	(2.2)	-0.8%	262.3	8.5	3.2%
Treaty Reinsurance	146.2	121.1	25.1	20.7%	114.7	31.5	27.5%
Property D&F	28.2	29.3	(1.1)	-3.8%	27.2	1.0	3.7%
Delegated Property	120.6	78.6	42.0	53.4%	70.9	49.7	70.1%
Accident & Health	15.2	19.8	(4.6)	-23.2%	19.1	(3.9)	-20.4%
Total London Market	**581.0**	**521.8**	**59.2**	**11.3%**	**494.2**	**86.8**	**17.6%**
J Business	162.6	174.9	(12.3)	-7.0%	159.4	3.2	2.0%
Total	**1,681.3**	**1,628.5**	**52.8**	**3.2%**	**1,508.5**	**172.8**	**11.5%**

International Specialty

GWP incurred 9.7% excluding FX, where a significant proportion of the specialty lines are transacted in Sterling and Euro. After taking into account the strong US dollar, GWP growth was flat. The remaining commentary is excluding the impact of FX.

Financial Lines

GWP increased by 1.6%. This represents a significant shift from the trend in recent years, as rating conditions in the Group's core Directors & Officers book have begun to flatten, and in some cases decrease. This is offset by growth in the Group's Cyber book. The Group has maintained a conservative underwriting approach and discipline in this challenging market.

Professional Risks

GWP increased by 22.1%. The business includes two main product lines – PI and Liability – with growth primarily driven by improved market conditions in PI.

Credit & Political Risk

GWP increased by 13.5%. The Group offers a full range of Credit & Political Risk insurance solutions for both financial institutions and small and large commercial companies. The Trade Credit team, is one of the leading credit insurers in the UK, distinguishing the Group with high service standards in both underwriting and claims handling positions and with high client retention. The UK market continues to be impacted by economic uncertainty and a weak rating environment; however this is leading to an increase in the purchase of two-year policies which is supporting top line growth. Market conditions in political risk remain positive, however the Group's underwriters continue to exercise significant caution given the trend of global political instability.

Surety

GWP increased by 7.4% despite the challenging economic conditions.

Contingency, Disability & Other

GWP increased by 13.0%. The contingency book had significant recovery following the impact of COVID-19, which has been impacted to some extent by non-renewal of Sports Disability insurance to Russian sports teams. Other comprises a portfolio of Marine Transport business and Kidnap and Ransom business.

London Market

Marine & Energy

GWP increased by 4.7% comprising Energy, Marine Hull, Marine Liability and Marine Cargo. Rating conditions on the majority of these lines have been very good. This is being offset by the decrease of GCube/GWP which is driven by the increased competition in the renewable energy market.

Treaty Reinsurance

GWP increased by 20.7%. This portfolio comprises principally non-US excess of loss reinsurance business. The strategy of continuing strong client relationships and participation on high programme layers has grown the portfolio. The consistent and responding retro programme, has produced ongoing profitable results. Top line growth has been driven by improving market conditions following the large catastrophe losses in 2020 and 2021.

Property Direct & Facultative

GWP increased by 3.8% reflecting positive rating conditions.

Accident & Health

GWP decreased by 20.2% The portfolio continues to maintain market-leading profitability due to disciplined underwriting and realistic growth expectations, and the reduction in premium follows a number of key non renewals reflecting this disciplined underwriting approach.

Delegated Property

GWP increased by 70.0% (excluding FX), reflecting a number of key business wins as this relatively new line, particularly in the UK, continues to grow.

J Business

GWP is consistent from year to year after consideration of FX. The segment consists of commercial insurance coverage provided to Japanese corporate clients in respect of their overseas business interests. The decrease in premium of $12.3million in the year reflects primarily the impact of foreign exchange on this book, which is written primarily in Euro and Sterling.

Investment Performance

New England Asset Management is the investment manager for the US Dollar, Sterling, Euro and Swiss Franc funds, which consist primarily of a portfolio of highly rated corporate and municipal bonds, that have an average rating of AA- and do not include any securities with less than a BBB rating. The portfolio also includes bonds guaranteed by the US, UK and German governments. The average duration of the aggregate portfolios at the year-end was 4.3 years (2021:4.7 years). Delphi Financial Group, Inc. (Delphi), an investment manager within Tokio Marine, manages the alternative investment class, which comprises 4% of the Group's consolidated invested assets as at 31 December 2022 (2021:4%).

Earned investment income (excluding the unrealised gains and losses) totalled $35.0million (2021: $29.5million).

In 2022, the change in fair market value of the investment portfolio generated unrealised losses of $234.2million, which resulted in total unrealised losses of $230.6million for the year net of unrealised FX gain from revaluation of investments of $3.7million. This was driven principally by the sharp rise in US Treasury, bond and gilt rates which occurred amid continuing concerns surrounding elevated inflation throughout 2022 and the Federal Reserve's rate hiking response to such inflation. In these circumstances and given its strong operating cash flow, the Group's approach is to hold to maturity and as such these unrealised losses will unwind as the securities mature.

Balance Sheet

The balance sheet of the Group shows total assets of $4.35billion (2021: $4.10billion) and shareholders' equity of $1billion (2021: $1.13billion). Of the total assets, $2.11billion, 48.5% (2021: $2.11billion, 51.6%) was represented by financial investments and cash at bank, with a $115million dividend distribution during the year (2023:no dividend proposed) to shareholders. Net technical liabilities from insurance contracts were $1.56billion (2021: $1.40billion).

As at 31 December 2022, the solvency coverage ratio remains strong at 145% (2021:160%). The business continued to generate capital through operations, which was offset by capital requirements to fund business growth and unrealised losses.

The Vision

The Group shares Tokio Marine's **Good Company** vision.

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

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

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

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

Charity and community

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

Workplace

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

Business conduct and ethics

Conducting business:

- ethically
- honestly
- responsibly

Climate Risk

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

TOKIO MARINE HCC

Charity and community

The Group strives to be a Good Company. One of the core principles of this vision is acting for the benefit of society and the communities in which the Group operates. To do this, the Group's Charity Committees have a strategy to channel support through:

- **Support of employees' charitable efforts –** either by allowing additional time off (each employee is allowed two volunteer days per annum) or by contributing towards charitable fundraising undertaken by employees;
- **Formation of multi-year charity partnerships that provide annual financial contributions to chosen charities –** employees are encouraged to be actively involved with charity partners through fundraising, volunteering, raising awareness and educational activities.

The aims of the Group's Charity Strategy are to make a difference within local communities and to educate and inspire employees to generate positive change. To deliver its Charity Strategy, the Group established Charity Committees in the UK and Europe that develop new and existing charity partnerships and organise programmes of activities and initiatives. Aligned with the Group's approach to sustainability, the annual charity programme of events and initiatives is designed around **four pillars:**

Community Development | Diversity & Inclusion | Health & Wellbeing | Environmental Impact

In 2022

The Group donated over	+	Employee fundraised	=	Total charitable giving
$553k		**$72.4k**		**$625.4k**
(2021: $556K)		(2021: $87.8K)		(2021: $643K)

To support charitable groups and employee fundraising initiatives.

The Ukraine Crisis Appeal

In response to the humanitarian crisis in Ukraine following the conflict between Russia and Ukraine, the Group organised a fundraising campaign to maximise employees donations: all employee donations were tripled. In total, the Group donated more than $123,000 to charitable organisations providing humanitarian aid, including the Red Cross and Doctors Without Borders. The Group also made resources available to affected employees.

Ongoing support for charities

Conscious of the impact of both COVID-19 and the cost-of-living crises on charities and communities, the Group has continued to support its charity partners, financially and through volunteering opportunities, providing them with stability and security. During 2022, it also made additional donations to those UK charities most affected by the cost-of-living crisis.

Charity Partnerships

The Group formally supports 17 charity partners across the UK and Europe that are aligned with the Group's Charity Strategy, providing annual donations and supporting them to deliver impactful initiatives.

Below are some examples of how, by working together with its charity partners, the Group has made a difference in 2022.

HEALTH AND WELLBEING

Dementia UK, (UK)

Dementia UK is the specialist dementia nursing charity that is there for the whole family. Its nurses, known as Admiral Nurses, provide free, specialist advice, support and understanding to anyone affected by dementia, whenever it's needed. The Group has been partnered with Dementia UK for 2 years, donating over £114,000 since 2020. The regular donation has helped the charity increase its number of specialist dementia nurses from 269 in 2019 to 410 by 2022 a 52% increase. On top of an annual donation, the Group has supported Dementia UK through employee-led fundraising initiatives such as the Three Peaks Challenge.

COMMUNITY DEVELOPMENT

The Wickers Charity (UK)

The Wickers Charity is a charity supporting young people aged between 8 and 21 years old in East London'. The Wicker's focuses on reducing gang-and-knife related crime by providing young people with safe and positive spaces in which to learn and interact, through regular activities, sports, music and day trips/residentials, as well as emergency help. In addition to its financial assistance, the Group also supports two of their annual fundraising initiatives: a boxing event and an 'It's a Knockout Event', a team sport competition in which 40 employees participated.

DIVERSITY AND INCLUSION

Foyer VZW (Belgium)

Foyer VZW is a programme focused on building a more intercultural society in Brussels. Foyer VZW offers various activities such as an empowerment workshop for children, young people, and adults as well as educational workshops and a legal advice service, which the Group's donation helps to sustain.

HEALTH AND WELLBEING

Stiftung Deutsche Krebshilfe (Germany)

This charity's goal is to fight cancer in all its forms. It supports and accompanies cancer patients and their families from the hospital rooms to their homes, providing support groups and resource. The charity also raises awareness in society and leads research in the field.

ENVIRONMENTAL IMPACT

Trees for Cities (UK)

During 2022 the Group organised 6 voluntary tree-planting sessions around the UK, with 84 employees taking part, as well as driving a European awareness campaign for Earth Day. The Group's donations have helped fund an Edible Playgrounds Programme at Plaistow Primary School in Newham, London which was finalised in 2022. The project has been integrated into the school's curriculum allowing all pupils to learn important life lessons, including healthy eating.

Looking ahead, the Group aims to continue to deliver impactful initiatives in line with its charity programme during 2023 and to continue to work with its charity partners to make a difference to its local communities.

People

TMHCC International has approximately 1220 employees, with 870 in the UK and 350 based across 10 European branches. The employee base has increased to support the Group's growth.

Values and vision

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

Developing and engaging people

Our people are our most valuable asset, and it is committed to supporting their growth and development. We believe that by investing in our employees, we are setting the foundation for long-term success for the company and the individuals within it.

The Group supports its employees' development through career growth opportunities, providing knowledge through experience and through availability of relevant training. TMHCC Group's corporate programmes, such as Leadership Excellence and Development (LEaD), Elevating Women in Leadership (EWiL), our Foundations In Leadership Programme enables talented people to prosper and become future leaders of the business, while ensuring achievable succession plans are in place. A new corporate programme, Accelerate, was launched in 2022, offering a three-year structured development programme for those who are early in their careers in the Underwriting and Claims functions.

Diversity and Inclusion (D&I)

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

The Workplace Group forms part of TMHCC International's Sustainability Strategy, which is fundamental to the Good Company vision. The Workplace Group identifies areas of development or improvement in relation to D&I, wellbeing and learning and development.

In 2022, the focus of the Workplace Group in relation to D&I was:

- to continue to raise awareness of Diversity D&I
- to understand the employee demographic
- to create and maintain an inclusive workplace

During 2022, the Group celebrated a number of global and national awareness campaigns, including LGBTQ+ History Month, Time to Talk Day, International Women's Day, Mental Health Awareness Week, Pride, Black History Month, International Women's Day and the Dive In Festival for Diversity and Inclusion in insurance.

The Group also delivered 'Inclusive Workplace for Managers' training sessions for supervisors and managers, to increase understanding of the Group's workplace policies and values which protect against bullying, harassment, and discrimination.

As part of an ongoing commitment to being an inclusive workplace, the Group introduced a Menopause Policy to ensure that it can support any employees impacted by the menopause. In addition, employees have formed a Menopause Support Group and workshops will be held in 2023 to educate managers and give them the tools to support employees who are affected by the menopause.

Health and wellbeing

During 2022, the Group delivered a number of wellbeing activities to provide support and guidance to managers and employees in respect of mental health. Following the return to the office, opportunities were also provided for employees to connect with each other, such as breakfast gatherings.

In 2022, the Group delivered eight wellbeing webinars to address the post-COVID return to work, with a focus on mental health, building resilience, preventing burnout, healthier ways of working and leading teams in a hybrid environment.

To ensure that employees are aware of the wellbeing resources available, the Group launched a Wellbeing Hub providing details of the mental health resources and support available to all employees, such as the Employee Assistant Programme line, the Headspace app, recordings of wellbeing webinars and promotion of both quiet rooms and the activities run by the Social Committee.

In the coming year, the Group will provide training for employees who wish to volunteer to be mental health first aiders. The training certification sessions will be facilitated by one of the Group's partner charities, LAMP (Leicestershire Action for Mental Health Project).

Business conduct and ethics

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

The TMHCC Group's Code of Business Conduct and Ethics, together with the Group's Employee Handbook, sets out how it operates and includes reference to specific policies including: Whistleblowing; Anti-Bribery, Conflicts of Interest; and the Treating Customers Fairly (TCF) Statement. All new employees are provided with e-training modules that cover ethics, anti-bribery, data protection, modern slavery and whistleblowing.

Conduct

At the core of the Group's approach to responsible business is ensuring that all policyholders receive fair treatment throughout the product life cycle and that no detriment is caused to the Group or its customers, clients or counterparties because of the inappropriate execution of its business activities. Through the governance structure, the Board communicates this ethos to all employees, with a specific committee responsible for oversight of conduct, product governance and distribution throughout the business. Conduct risk training is also provided to employees working in the Underwriting, Claims, Compliance, Internal Audit, Marketing and Risk departments, as well as Executive and Non-Executive Directors.

Throughout 2022, the Group continued to undertake the following activities: reviews of all new products; customer advocate reviews of wordings; comprehensive due diligence on all third

1220 EMPLOYEES

870 in the UK

\+ **350** based across **10** European branches parties prior to engagement and audits undertaken thereafter; assessment of product risk ratings and continual monitoring of the highest-rated products using detailed management information to ensure fair and reasonable customer outcomes; and compliance monitoring on licensing, sanctions and financial crime practices. In this time, the Group also continued to monitor the performance of its products to ensure they performed fairly and as intended, including undertaking a full Fair Value Assessment of all products in line with new regulatory requirements.

Complaints

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

There are effective and transparent procedures in place concerning the handling of complaints, to ensure their proper investigation and appropriate resolution. The Group further facilitates its complaint handling through the use of a purpose-built complaints management software application. The complaints procedure outlines the agreed process to ensure complaints are identified and resolved in accordance with regulatory expectations.

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

Sanctions

The Group is subject to UK and European sanctions and is considered to be a US person for all US Treasury Department and Office of Foreign Assets Control (OFAC)-administered sanctions. To ensure the Group avoids writing business with exposure or potential exposure to sanctions targets, the International Compliance Department ensures all relevant employees within the business have sanctions awareness. This is achieved through the provision of e-training, ad hoc updates and now face-to-face training.

The Group also runs real-time and batch screening that is designed to identify possible matches between potential insureds or claimants and listed sanctions targets. The results of these tests are reported as part of the non-financial KPIs – see page 37.

Licensing

The Group's policy is to seek licensing or registration as an approved (re)insurer where it may not legitimately accept risks on a non-admitted (unlicensed) basis. The International Compliance Department undertakes a monthly review to ensure adherence to licensing requirements, and the results of these reviews are provided as part of the non-financial KPIs – see page 37.

Anti-bribery and corruption

The Group has zero tolerance for bribery or corruption. The Anti-Bribery Policy details definitions of corruption and bribery as well as how to report any cases of suspected wrongdoing.

The Group's Gifts and Entertainment Procedure also supports the Anti-Bribery Policy and provides guidance to employees on the giving, receiving and recording of business gifts and hospitality. In addition, the Conflicts of Interest Policy provides employees with guidance regarding assessing, managing and recording conflicts of interest. Certain employees and Board members are also required to complete an annual declaration regarding conflicts of interest.

All business that would expose the Group to any parties domiciled in countries that exhibit a high corruption risk (countries with a score of 20% or less on the Transparency International Corruption Perceptions Index (CPI)) require an enhanced due diligence review and approval from a member of the Executive team prior to inception. Receipt of approval is monitored by the International Compliance Department.

Money laundering and financial crime

Any business that would expose the Group to parties domiciled in countries exhibiting a high money laundering risk (countries with a risk score of 7.5 or more (out of 10) on the Basel AML Index and those that are watch-listed by the Financial Action Task Force (FATF)) requires an enhanced due diligence review and Executive approval prior to inception. Receipt of this approval is monitored by the International Compliance Department.

The Group has an additional anti-money-laundering control in place to ensure that policy acquisitions and cancellations have not been used as a means of laundering the proceeds of crime. This extra control is performed by the International Compliance Department monthly. It involves analysis of all returned premiums up to two months after policy inception that are above a certain, line-specific percentage of original premiums. To obtain similar confidence that claims have not been engineered for money laundering, all claims made within seven days of policy inception are similarly analysed by the International Compliance Department.

In addition to the standard controls in place, the International Compliance Department performs an annual internal Financial Crime Risk Assessment covering the following areas: bribery, corruption, money laundering, financial crime, sanctions and whistleblowing. The most recent Financial Crime Risk Assessment was undertaken in Q4 2022.

From a governance perspective, it should be noted that the Money Laundering Reporting Officer provided bi-annual reports to the Board, while formal updates on financial crime were also provided to multiple Board committees, including the Executive Underwriting Monitoring Committees (EUMC) and the Risk and Capital Management Committee.

The results of the Group's money-laundering controls are set out as part of the non-financial KPIs – see page 37.

Procurement, outsourcing and working with third parties

The Group's responsible approach to business extends to procurement, outsourcing and third parties., It is committed to preventing slavery and human trafficking in its corporate activities and ensuring that its supply chains and third-party relationships are free from slavery and human trafficking.

The Outsourcing and Contract Management Policy, Delegated Authority Procedures and Intermediary Vetting Procedures set out what due diligence is required and the monitoring processes (including regular audits) that will be undertaken of third parties. Transparency in the supply chain in relation to modern slavery and trafficking is reviewed at the due diligence stage. The Group's Modern Slavery Statement can be found on its website.

Whistleblowing

The Group's Whistleblowing Policy follows accepted best practice and regulatory requirements, has been specifically emphasised in communications by the Executive and is centrally accessible to employees via the intranet. It outlines the procedures and processes for when and how to speak up about wrongdoing within the organisation. An individual can raise a concern internally or externally (for example in the UK via the Prudential Regulation Authority (PRA), via the Financial Conduct Authority (FCA) or using the Lloyd's confidential hotline) or via an externally provided confidential hotline. The Non-Executive Chairman of HCCII's Audit Committee has been appointed Whistleblowing Champion, and reports have been provided to the Group's Audit Committee on the whistleblowing arrangements. The Whistleblowing Policies were reviewed in 2022 with no material changes required.

The Compliance category within the TMHCC International 2022 Culture and Values Survey continued to score highly, reflecting a workforce that are fully engaged, understand the Group's approach to whistleblowing, and feel confident in their ability to speak up. No whistleblowing concerns were reported through the internal or external channels during 2022.

Data protection

During 2021, the Group continued to refine the Data Protection Framework. The existing framework documentation was reviewed and amended as required to ensure it could be applied across the Group, and additional documents were created as necessary (for example, a Transfer Impact Assessment template has been designed and is now in use). The Group also further embedded the Data Protection Impact Assessment (DPIA) process – all new projects continue to be subject to scrutiny and require DPIAs to be completed.

There is a dedicated Data Protection Department in the UK, with increased resource to provide requisite support to the Group. The team continues to work to improve its General Data Protection Regulation (GDPR) processes, particularly in respect of TME, working closely with the TME Data Protection Officer and assisting the embedding of GDPR compliance in Europe. This team has moved from a GDPR-centric approach to one with a worldwide focus, identifying and assessing the impact of impending privacy changes on the Group and the locations in which it underwrites business.

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

Climate risk

Governance

As part of its sustainability governance structure, the Group has a Climate Risk Committee which supports the Board and Sustainability Committee in discharging their responsibilities in respect of Climate Risk. The Climate Risk Committee is responsible for overseeing the identification, measurement and monitoring of its physical, transitional and liability risks and opportunities in relation to climate change and for making recommendations to the Group's Board in respect of its Climate Risk Strategy.

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

In September 2022, the Group Sustainability Strategy was approved by the Board. This strategy aims to deliver on the Group's commitment to fulfilling its obligations as a global insurer to support a sustainable future, responding to climate-related risks and opportunities as well as the wider ESG areas covered by the Group's sustainability governance structure (set out on page 60).

Strategy

The Group is cognisant of the importance of climate-related risks to its business, clients, and other stakeholders. As a result, the Group considers climate-related risks and opportunities in its business decisions including underwriting and exposure management, particularly in relation to physical risks and reinsurance decisions; investment performance, ERM risk framework, policies, and processes; and strategic acquisitions, specifically the decision to acquire GCube, the renewable energy Managing general agency in 2020.

The Group recognises that Climate Risk continues to evolve rapidly. The Group continues to identify and monitor climate-related risks and consider the potential impacts of these on its underwriting and investment activities and will endeavour to support low carbon transition strategies for both it and its clients, to reduce the impact on the environment and improve sustainability.

During 2022, the Group has undertaken a project in respect of its underwriting in relation to Climate Risk to identify and map potential climate-related risks and opportunities in its underwriting portfolio and their potential impact on its business. The outputs of the project will further inform the Group's Climate Risk and business strategies, as well as the development of the Group's risk management and scenario analysis approach related to Climate Risk, and the establishment of Climate Risk metrics.

Risk management

The Group has a robust ERM framework (detailed on page 64), which is embedded throughout the organisation, ensuring the right processes and procedures are in place to identify, monitor and mitigate the risks associated with the business and its operations. Climate-related risk was initially identified as part of the Group's emerging risk discussions. However, as the profile of this risk has continued to increase significantly, the Group decided to make Sustainability Risk (the strategic and operational risks of addressing ESG concerns, including climate change) a standalone risk while it continues to develop rather than placing it within one of the six principal risk categories. This affords transparency over the management of the risk.

The Group has formally articulated how it assesses Climate Risk within its risk framework through the development of a Climate Risk sub-risk register that measures and monitors physical, transitional and liability risks related to climate change and their potential impacts across a range of time horizons. The Group also considers emerging trends relating to climate change as part of its quarterly emerging and developing risk review. During 2022, the Sustainability Risk Policy was approved, this sets out the framework and roles and responsibilities that enable Sustainability Risk, including Climate Risk, to be managed.

Physical risk

The Group has exposure to physical risks due to its exposure to natural catastrophe events such as windstorm, flood, and earthquake. The lines of business that are exposed to these natural catastrophe events are principally those within the London Market underwriting segment (detailed on page 15) and the underwriters have a well-developed understanding of physical risks from climate change.

Physical risk is well managed through the Group's strategy of writing a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes. Annual policies enable the Group to respond to changing weather patterns, and the Group's comprehensive reinsurance programme provides protection against losses from severe weather events.

The Catastrophe Exposure Management (CEM) team supports the underwriting and assessment of risks by monitoring catastrophe exposures through geocoding location reporting for all risks and the use of weather peril models. In 2022, the CEM team worked to further refine its Climate Risk scenarios.

Task force on Climate-related financial disclosures

During 2022, and in line with the PRA's expectations set out in Supervisory Statement (SS3/19) Enhancing Banks' and Insurers' Approaches to Managing Financial Risks from Climate Change the Group continued to align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and will continue to develop these during 2023 and beyond.

This year, the Group reported for the third year (in respect of the financial year ended 31 December 2021) against the ClimateWise principles, which are aligned to the TCFD framework, and the Group continued to increase its ClimateWise score compared with its reporting in the previous year.

Streamlined energy and carbon reporting

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

In line with the UK government's Streamlined Energy and Carbon Reporting (SECR) framework, the table below shows the Group's UK operational energy and carbon footprint for the financial year ended 31 December 2022 and the comparative data for the financial year ended 31 December 2021.

Streamlined energy and carbon reporting

	2022	2021a
Energy consumption used to calculate emissions	kWh 1,356,055	kWh 1,060,621
Emissions from consumption of gas tonnes of carbon dioxide equivalent (tCO2e) (Scope 1)	35	45
Emissions from consumption of transport fuel (tCO2e) (Scope 1)	75	41
Emissions from consumption of purchased electricity tCO2e (Scope 2 location-based)	166	136
Total gross CO2e	275	222
Intensity ratio: tCO2e/$m	0.16	0.19

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

Non-financial KPIs	Description	2022 result
Sanctions	Sanctions matches (UK, European and OFAC-administered US sanctions).	11 submissions were declined due to exposure to specific named sanctions targets, and 5 policies were cancelled (2021:0).
Licensing	Policies written in line with licensing restrictions/ permissions.	20 risks were re-stamped with all changes made as necessary by endorsement (2021:44).
Bribery and corruption	Executive approval required prior to inception for risks where a party is domiciled in countries with a score of <20% on the CPI Index.	Approval was not sought post inception during 2022 in any cases (2021:0). Major events above £250 per person were authorised and/or arranged by the marketing department.
Money laundering	Executive approval required prior to inception for risks where a party is domiciled in countries with a score of >7.5 on the Basel AML Index Return premiums >15% of the gross premium and >£10,000 (or £1,000 for PI) up to 2 months after inception, and any claims made within 7 days of policy inception.	Approval was sought post inception on 29 occasions in 2022 either due to country score exceeding 7.5 on the Basel AML Index score or certain territories being listed by the FATF (2021:13).
Volume of complaints	Total number of complaints received.	270 (2021:135) The increase in complaints experienced in 2022 illustrates the change in portfolio with the growth of the Delegated Property book of business. 2022 also saw several named storms which resulted in an increase in complaints.
Complaint outcomes	The number of complaints received that have been upheld, that is where the policyholder's complaint is found to be justified. The number excludes complaints where the Group does not accept any wrongdoing but has made an ex-gratia payment to the insured.	73 (2021:9) The increase in upheld complaints was partly due to the development of the Delegated Property book of business and certain delays experienced at TPAs in the management of claims which in great part was due to the number of named storms.
Financial Ombudsman Service (FOS) outcomes	Percentage of complaints that have been upheld by the FOS following referral of complaint by an eligible policyholder who disagrees with the Group's final decision.	0.81% (2021:0.74%)
Voluntary employee turnover	The number of permanent non-fixed-term contract employees of the HCC Service Company, Inc. (UK branch) and TME, who have voluntarily left over the last 12 months, divided by the average number of permanent non-fixed-term contract employees over the last 12 months.[1]	13.7% at 31 December 2022 (2021:9.56%). The Group continues to monitor turnover and the reasons driving it and will take steps to address any identifiable trends.

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

The non-financial information provided in this Strategic Report summarises the material issues the Group has identified in line with the new requirements, alongside information around risks, action taken, due diligence and performance for these topics. Specifically, it outlines the Group's response to its material and social impacts, employee issues, respect for human rights, anti-corruption and anti-bribery.

Reporting requirement	Policies and standards that govern the Group's approach	Risk management and additional Information
Environmental matters	• Sustainability Strategy[2]	Principal Risks and Uncertainties pages 39 to 42 Stakeholder Engagement pages 48 to 54
Human rights	• Modern Slavery Statement • Data Protection Policy[2]	Business Conduct and Ethics pages 32 to 34 Stakeholder Engagement pages 48 to 54
Social and community	• Voluntary Work Policy[2] • Charity Strategy	Charity and Community pages 29 to 30 Stakeholder Engagement pages 48 to 54
Anti-corruption and anti-bribery	• Financial Crime Manual[2] • Anti-Bribery and Corruption Policy[2] • Anti-Money Laundering Policy[2] • Gifts and Entertainments Policy[2] • Whistleblowing Policy[2]	Business Conduct and Ethics pages 32 to 34 Principal Risks and Uncertainties pages 39 to 42
Policy embedding, due diligence and outcomes	Principal Risks and Uncertainties pages 39 to 42	
Description of principal risks and impact of business activity	Principal Risks and Uncertainties pages 39 to 42 Business Model pages 11-16 and Stakeholder Engagement pages 48 to 54	
Description of the business model	Business Model pages 11 to 16	
Non-financial KPIs	Non-financial KPIs page 37	

[2] Internal policies are not published externally and form part of the governance framework.

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

Areas of Risk

INSURANCE

Description

The 4 key components of insurance risk are: premium or future underwriting risk (including delegated authorities); reinsurance purchasing; claims management; and reserving.

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

Mitigating actions/factors

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

STRATEGIC, REGULATORY AND GROUP

Description

These are risks that arise from:

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

Mitigating actions/factors

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

MARKET

Description

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

Mitigating actions/factors

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

OPERATIONAL

Description

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

Mitigating actions/factors

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

CREDIT

Description

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

Mitigating actions/factors

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

LIQUIDITY

Description

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

Mitigating actions/factors

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

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

Developing and Emerging Risks

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

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

Sustainability

Sustainability Risk, including climate change risk, continues to be recognised as a key risk for the Group. 2022 has seen further work in terms of finalising the inclusion of Sustainability Risk within its governance and risk frameworks, which included: 1) development and approval of a Sustainability Strategy; 2) drafting of a Sustainability Risk Policy; 3) initial scoping of risk appetites, and development of risk metrics to monitor them; 4) further development of the specific Climate Risk sub-risk register; 5) implementation of Sustainability Risk appetites and metrics for the Group's investment portfolios; and 6) further initial work on potential quantitative impacts of climate change, including capital assessments and impacts from reverse stress tests. Work will continue on Sustainability Risk in 2023, particularly with regard to increasing the sophistication of the quantitative elements of the framework.

Operational resilience

Following successfully achieving the PRA/FCA market-wide regulatory deadline of March 2022 (including identifying important business services, completing resource mapping of all business processes and setting impact tolerances), the operational resilience project was completed and closed in October 2022. Responsibility for the ongoing remediation of identified gaps, which have to be closed by March 2025, fall to the business through the newly created operational resilience office, while the Enterprise Risk function will maintain oversight of the stress testing framework and the annual self-assessment requirements.

Inflation

The issue of Inflation, including social inflation, is currently a hot topic in the industry. The impact of inflation will vary widely, noting that for a significant proportion of the business inflation poses relatively little risk, although for some lines of business (for example Energy) inflation has a greater impact. Management, therefore, looked at how the risk is being mitigated in the areas of underwriting, claims, reserving and capital modelling and concluded that the mitigations are appropriate. The explicit inflation adjustment on reserves, which was introduced for year-end 2022, is not considered to be material. In the current inflationary environment, the risk is being kept under close review.

Outsourcing and supplier management

Outsourcing and supplier management is a key focus for the Group, in light of its greater reliance on cloud service providers and increased use of coverholders. Strong risk governance in this area is vital to ensure uninterrupted service to both external and internal stakeholders. It also a sub-component of Supply Chain Risk, which included an area subject to increased scrutiny with regulatory focus on insurers and their ability to demonstrate their operational resilience in this regard. Against a backdrop of increased digitalisation of the insurance market and escalating cyber-security threats, robust supply chain management is paramount. A central Vendor Management System has been purchased as part of a project to ensure due diligence is carried out and monitored against service standards at all levels of the supply chain. Resilience standards are also in the process of being developed to ensure that any disruption experienced by the Group's material outsourcers does not impact the service they provide to the company.

COVID-19

Although COVID-19 continues to bring some uncertainty to the world at large, from the Group business perspective, the pandemic has developed broadly in line with expectations and the uncertainty has generally reduced. A potential indirect impact from COVID-19 related to potential market volatility, as governments around the world continued to withdraw their national structural support during 2022. This has, to a certain extent, been superseded by the market volatility attributable to the Russia/Ukraine crisis, which is further discussed in Note 5. From an operational perspective, an additional potential risk was recognised during 2022, associated with the return to the office and the new hybrid operating model. This was reflected by elevated statuses on two risks on the risk register during 2022, but through successful implantation of the new operating model, these risks had returned to stable by the end of 2022.

Board of Directors

For the year ended 31 December 2022, the Group Board comprised: the Chairman; Chief Executive; Group Chief Financial Officer; Chief Underwriting Officers (International Specialty, London Market and J Business); Chief Risk Officer; Chief People Officer, two Independent Non-Executive Directors and a Non-Executive Director. The Group Board's primary responsibility is to promote the long-term success of the Group by creating and delivering sustainable value. The Board seeks to achieve this by delivering its strategic objectives while ensuring that its values and culture align with that purpose.

Nick Marsh
Chair

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

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

Barry Cook
Chief Executive Officer

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

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

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

Simon Button
Chief Underwriting Officer – London Market

Simon joined the Group in 2000 as an Energy Underwriter and was appointed to the Board as Chief Underwriting Officer – London Market in 2013. He has over 30 years' experience in the Lloyd's, London and International insurance markets. He joined the Tokio Marine Canada Board in 2022.

Simon is Chair of the Sustainability Committee and a member of the Risk, Capital Management and Investment Committees as well as the EUMCs – London Market. Simon is the Active Underwriter of HCC Syndicate 4141 and a Director of HCCUA, GCube and RELA.

Thibaud Hervy
Chief Underwriting Officer – Specialty Lines

Thibaud joined the TMHCC Group in 1999 as a Financial Lines underwriter and was appointed to the HCCII Board in 2011. He was made Chief Underwriting Officer – Specialty Lines in 2014. Prior to that, he was Managing Director of HCCG, the TMHCC Group's Spanish underwriting agency, for 14 years.

Thibaud is a member of the Sustainability and Risk and Capital Management Committees as well as the EUMCs (Credit & Surety and Professional Risks, Financial Lines, Contingency & Disability).

Thibaud is also a Director of TME, and a Director of HCCUA, QHL, QBuS and HCC Diversificación y Soluciones S.L.

Katherine Letsinger
Group Chief Financial Officer

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

Katherine is Chair of the Investment Committee and a member of the Remuneration and Risk and Capital Management Committees as well as the EUMCs (London Market; Credit & Surety; and Professional Risks, Financial Lines, Contingency & Disability). She is a Director of HCCUA, QHL, QBuS and HCC Diversificación y Soluciones S.L., Credit Services, GCube, RELA and Nameco (No.808) Limited. Katherine is also a Non-Executive Director of TME.

Graham White
Chief Risk Officer

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

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

Angela Baker
Chief People Officer

Angela joined the group in 2004 and has held the roles of HR Manager and Head of UK HR. Angela has over 25 years' HR experience with over 15 years spent in the insurance industry. In 2020, Angela was appointed as Chief People Officer and she joined the Board in 2021. Angela is a member of the Remuneration, Group Data Protection and Sustainability Committees and is a Director of HCCUA.

Hans-Dieter Rohlf
Independent Non-Executive Director

Hans joined the Board in 2013 as an Independent Non-Executive Director and Senior Independent Director. He is a member of the Audit, Risk and Capital Management and Nomination Committees.

Hans' career includes over 30-years at Hannover Re in a number of roles, including Senior Vice President and Head of the US & Aviation Business and Head of Retrocessional Department. In 1995, he was appointed Managing Director of the North American Property & Casualty Business and joined the boards of Hannover Re's North American Underwriting and Service companies.

From 2013 to 2015, he was an Independent Non-Executive Director on the TMHCC Group Board and from 2019 to 2022 he was an Independent Non-Executive Director on the Board of Tokio Marine Kiln Syndicates Ltd. Hans is also an Independent Non-Executive Director of HCCUA.

Craig Scarr
Independent Non-Executive Director

Craig was appointed to the Board in 2015 as an Independent Non-Executive Director. He is Chair of the Audit and Risk and Capital Management Committees and a member of the Nomination and Sustainability Committees.

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

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

Outside the Group, Craig holds several Independent Non-Executive Directorships at: HCCUA, HSB Engineering Insurance Ltd, USAA Ltd and USSA S.A.

Hideki Mishima
Chief Underwriting Officer – J Business

Hideki was appointed to the Board in 2021. He joined Tokio Marine in 1987. His career with Tokio Marine has spanned more than 30 years and included roles within underwriting and senior management teams in Japan and internationally. Hideki chairs the EUMC – J Business and is a Director of HCCUA and TME.

Ko Shimizu
Non-Executive Director

Ko was appointed a Non-Executive Director of HCCII in 2022. He has spent over 20 years with Tokio Marine, undertaking various roles that have included: General Manager – Reinsurance Europe and Americas for the International Business Development Division of Tokio Marine; Principal Officer – Tokio Marine Asia; and Deputy General Manager – Global Talent Management for Tokio Marine.

Ko is currently Head of Group Coordination at Tokio Marine Kiln Limited and is a Director of HCCUA, Tokio Marine Underwriting Ltd and Tokio Marine Kiln Group Limited.

Board members and attendance

There were six scheduled Board meetings held during 2022. The following table shows each Director's attendance at meetings of the Board during the financial year. The Chair meets privately with the Independent Non-Executive Directors before each scheduled Board meeting.

Member	Eligible to Attend in 2022	Attended
Chair		
Nick Marsh	6	6
Executive Director		
Angela Baker	6	6
Simon Button	6	4
Barry Cook	6	5
Thibaud Hervy	6	6
Katherine Letsinger	6	6
Hideki Mishima	6	5
Graham White	6	6
Non-Executive Director		
Ko Shimizu	6	6
Independent Non-Executive Director		
Hans-Dieter Rohlf	6	6
Craig Scarr	6	6

Board's Activities in 2022

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

Strategy and business Performance

- Received updates on the Group's 2022 Outwards Reinsurance Programme.
- Received updates on the insurance market environment and rates, including the impact of market losses, new and existing markets and regulatory changes, and the resulting impact on the industry as a whole.
- Approved the Group's Sustainability Strategy.
- Received updates on material communications with regulators and considered the impact of changes in regulation and developing regulation.
- Received updates on progress against strategic initiatives.
- Received updates on TME's operations and performance.

Governance

- Reviewed and approved the Modern Slavery Statement.
- Received updates on legal, regulatory, and corporate governance matters.
- Considered and reviewed the composition of the Board and its Committees and the appropriateness of the governance framework.
- Subsidiary governance – approved increases in capital.

Board training

At a number of its meetings, the Board received presentations from selected areas of the business, allowing the Board to review and discuss them in greater depth.

These included:

- HCC Credit underwriting
- IT and Procurement Strategy
- Marine Cargo underwriting
- Financial Lines underwriting

Risk

- Received quarterly updates on the Group's strategic risk metrics and conducted an annual review of the risk appetites and metrics.
- Regularly reviewed key risks, together with the adequacy of mitigation controls.
- Received updates on the PRA's operational resilience requirements and the associated project and approved the important business services
- Formally reviewed and approval of Own Risk and Solvency Assessment and Validation Reports.

Financial performance

- Monitored capital and solvency.
- Reviewed financial performance and forecasts.
- Considered and approved the 2023-2025 budget.

Leadership and stakeholders

- Considered updates on employees, including D&I, wellbeing and succession planning.
- Monitored and assessed the Group's culture through the Culture Dashboard.
- Received updates on the Group's Sustainability activities.

Board training

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

- HCC Credit underwriting
- IT and Procurement Strategy
- Marine Cargo underwriting
- Financial Lines underwriting

Stakeholder engagement and section 172 statement

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

The Directors of HCCII, in discharging their section 172 duty, have regard to the factors set out in section 172 (1) (a)–(f) and take them into consideration when decisions are made. It is acknowledged that every decision made by the Board will not necessarily result in a positive outcome for all stakeholders. However, by considering the strategic objectives and priorities, vision, purpose and values (as set out on pages 11 to 12 of this report) and having a process in place for decision-making, the HCCII Board aims to ensure a consistent approach.

The Board delegates authority for day-to-day management of HCCII and other subsidiaries in the Group to the Executive team and then engages management in setting, approving and overseeing execution of the business strategy and related policies. The Board is responsible for embedding a culture throughout the business that will help deliver long-term success to HCCII and the Group. It is also responsible for setting policies as well as the corporate governance structure of the Group.

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

The Group's key stakeholders are its employees, shareholders, clients, brokers, regulators, suppliers communities and the environment. The impact of the Group's activities on its key stakeholders are an important consideration for the Directors when making relevant decisions. The Group's stakeholder engagement takes place primarily at an operational level. Details of some of the engagement that takes place with the Group's stakeholders is set out in the stakeholder table on pages 49 to 54.

During 2022, the Board received information to enable it to understand the interests and views of the key stakeholders. This information was received in a variety of different formats, including in reports and presentations on the Group's financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement (for example, the results of employee surveys). As a result of this, the Board Directors have had an overview of engagement with stakeholders and other relevant factors, understand the nature of the stakeholders' concerns and can comply with their section 172 duty to promote the success of the Company. Below are set out some examples of how the Board has had regard to the matters set out in section 172(1)(a)–(f) when discharging its section 172 duty and the effect of that on the decisions it takes.

How the Group engages with its stakeholders

Employees

Why it engages

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

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

How it engages

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

- Communications from the CEO.
- Communication from the Chief People Officer (CPO), the Workplace Group and Social Committee.
- Regular one-to-one meetings with managers, providing two-way engagement.
- Performance management system.
- Workplace Group.
- Culture and Values Survey, enabling confidential feedback.
- Workplace strategies including:
  - Wellbeing Strategy (including the Wellbeing Survey).
  - Diversity and Inclusion Strategy (D&I) and
  - Learning and Development Strategy (L&D).
- The Group's intranet, The Port.
- Wellbeing webinars.

The Board receives updates from the CPO relating to D&I, L&D and employee wellbeing, and reviews the Culture Dashboard and values quarterly.

Examples of actions taken in 2022

- Eight Mental Health Webinars conducted.
- Relaunched the employee buddy scheme.
- Held breakfast and social events across the UK offices.
- Established the Social Mobility Working Group and received a presentation from the Social Mobility Foundation.
- Held a LGBTQ+ Ally Workshop and ran a LGBTQ+ History Month Lanyard Competition.
- Raised awareness of D&I within the business and rolled out the employee demographic data collection.
- Supported Women in the Workplace, including:
  - launching the Menopause Network/resource group; and
  - establishing and implementing a Menopause Policy.

Examples of stakeholder outcomes

The TMHCC Group undertakes an annual Culture and Values Survey. The overall results continue to improve, and the areas that scored highly were: Group Attachment, Culture, Look Beyond Profit and Compliance.

The Workplace Group met 6 times during 2022 and discussed how to improve ways of working and the Group's Workplace Strategies.

Find out more

Business Structure – pages 6 to 7

Business Model – pages 11 to 16

People – pages 31 to 32

Non-Financial KPIs – page 37

Business Conduct and Ethics – pages 32 to 34

Clients and brokers

Why it engages

The International Specialty, London Market and J Business products underwritten by the Group are distributed to its clients through established relationships with wholesale, regional and Specialty brokers.

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

How it engages

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

- its Business Development Team
- its Claims Team
- its Compliance Team
- direct conversations
- marketing activities including social media
- virtual broker roadshows/events
- a broker expo event
- broker communications/newsletters as well as sector market updates.

Examples of actions taken in 2022

Professional Risks – media webinars and broker events.

Trade Credit – risk surgeries with brokers.

The BIBA Conference 2022.

Examples of stakeholder outcomes

All engagements with clients and brokers during 2022 were well received an resulted in a better understanding of their needs and in building on existing relationships as well as establishing new business relationships.

Find out more

Business Structure: page 6 to 7

Business Model: pages 11 to 16

Business Performance: pages 17 to 26

Shareholders

Why it engages

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

How it engages

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

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

Examples of actions taken in 2022

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

Examples of stakeholder outcomes

In all its decision-making, the Group's Board considers the long-term consequences of its actions and ensures it is acting in good faith and for the benefit of its shareholders.

Find out more

Business Structure: pages 6 to 7

Business Model: pages 11 to 16

External Partners

Why it engages

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

The Group works with a number of key suppliers and third parties.

HCCII is authorised by the PRA and regulated by the FCA in the UK, and TME is authorised by the Commissariat aux Assurances in Luxembourg.

How it engages

The Group has an ongoing dialogue with its reinsurers, key suppliers and third parties.

The Board receives updates on the Group's reinsurance and third-party arrangements.

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

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

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

Examples of actions taken in 2022

The CEO and Chief Underwriting Officers (CUOs) have regular meetings with the Group's outwards reinsurance brokers and outwards reinsurers.

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

The Board received a presentation from the Head of Procurement and Supplier Management on the Group's procurement strategy.

Examples of stakeholder outcomes

The Group monitors, through its Emerging and Developing Risk framework, matters that may have a strategic impact on the industry and the Group's business.

The Group monitors regulatory announcements and developments, and these are reported to the Board for discussion.

Due diligence and third-party frameworks and procedures outline the Group's expectations for responsible and ethical business.

Find out more

Business Model: pages 11 to 16

Business Conduct and Ethics: pages 32 to 34

Principal Risks and Uncertainties: pages 39 to 42

Environment

Why it engages

The Group continues to investigate and identify environmental and climate related risks and opportunities within its business and to develop its Sustainability Strategy.

How it engages

Increased use of video conferencing to reduce travel.

Communications from the Sustainability Committee.

ClimateWise membership.

Participation and membership of industry forums, e.g., the International Underwriting Association's Climate Risk and ESG Committees.

The Board receives updates from the Sustainability Committee and Climate Risk Committee on its initiatives and on Climate Risk.

Examples of actions taken in 2022

Climate Risk Underwriting Project in conjunction with Willis Towers Watson.

Reported against the ClimateWise Principles (aligned to the TCFD) and improved scores from previous report.

Third-party verification and calculation of carbon emissions to support SECR reporting.

Ongoing support of an environmental charity (Trees for Cities).

Fit-out of new office space (20 Fenchurch Street) involved maximisation of waste diversion through salvage opportunities and offering furniture to charities to be repurposed or recycled, with nothing going to landfill.

Examples of stakeholder outcomes

Ongoing improvements relating to recycling and energy usage.

Increased awareness and understanding of environmental initiatives among employees.

Find out more

Business Model: pages 11 to 16

Climate Risk: pages 34 to 36

Good Company Approach: pages 27 to 36

Charity and Community

Why it engages

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

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

How it engages

The Group engages with its local communities through:

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

The Group's charitable and community activities are communicated to the Board via the Sustainability Committee.

Examples of actions taken in 2022

Employees participated in several charity events during 2022, including:

- Three Peaks Challenge;
- beach clean;
- It's a Knockout; and
- tree planting.

The Group's charitable contributions in 2022 totalled $625,400.

Examples of stakeholder outcomes

The Groups' charity partners benefit from consistent financial support, volunteering activities and increased visibility.

Find out more

Business Model: pages 11 to 16

Charity and Community: pages 29 to 30

Principal decisions of the Board 2022

The decisions highlighted below are examples of the principal decisions made by the Board during 2022 that considered the impact of strategic and operational decisions on the Group's stakeholders.

Sustainability Strategy

Through its sustainability governance structure, the Group has continued to develop its approach to Sustainability, and in 2022 the Board approved the new Sustainability Strategy.

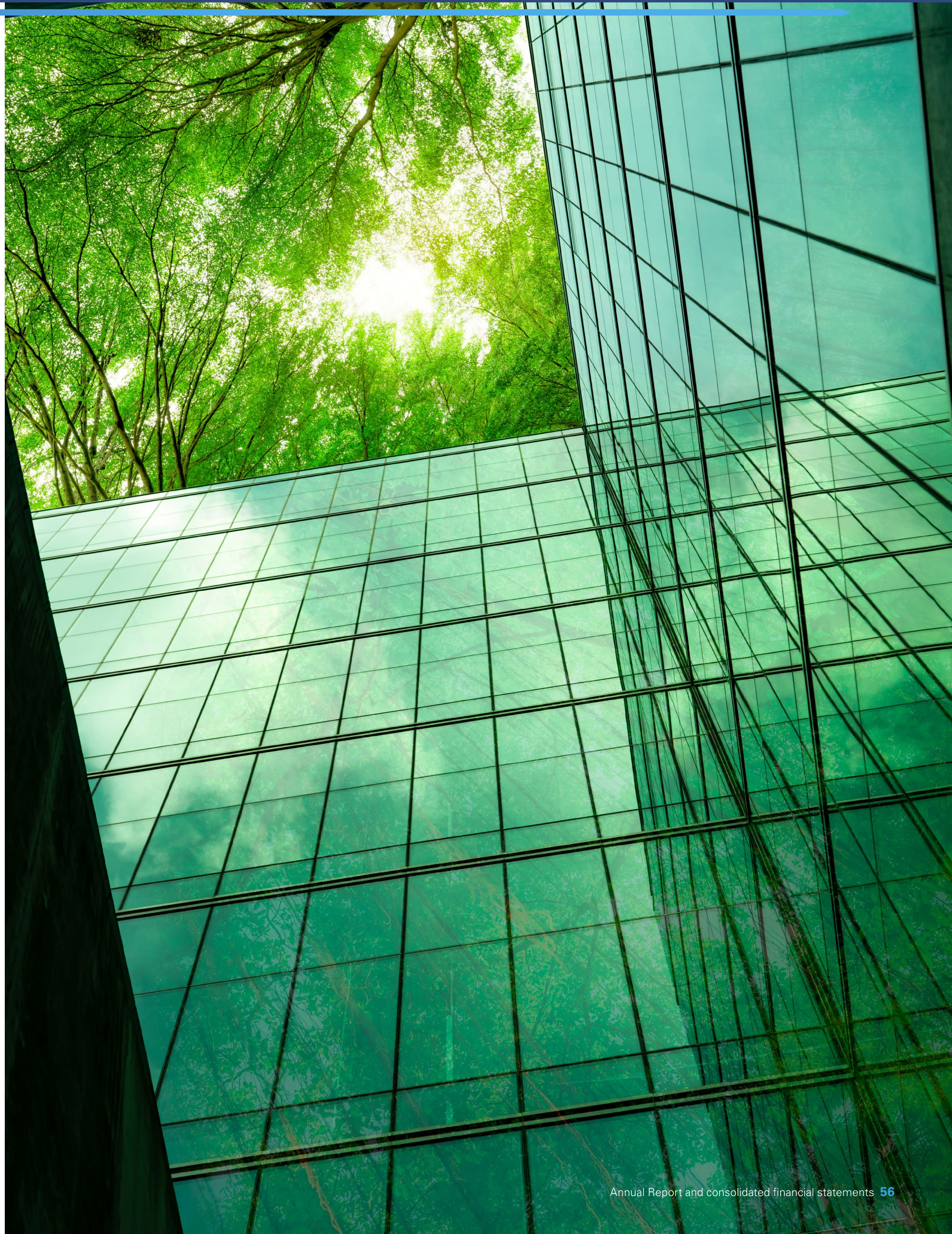
To ensure a sustainability focus across the Group's business as a whole, sustainability is incorporated into each of the 5 pillars of its overall business strategy: Underwriting, Customers/Brokers, People & Culture, Operational/Organisational Capabilities, and Risk, Regulation & Capital. The Sustainability Strategy sets out the Group's approach to managing and addressing sustainability throughout its business and operations and the governance arrangements in place which support that.

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

Succession planning and Board composition

The Board, supported by the Nomination Committee, is responsible for succession planning for the Board itself and the Group's Executive and senior management, as well as reviewing the Group's talent pipeline. During 2022, the Board reviewed and approved succession planning for the Board and Executive to ensure the Board composition continues to reflect the requisite skills, experience and diversity, in line with the Group's agreed strategy and its business and operational requirements.

Following its review of Board composition and succession planning, the Board approved the appointment of Peter Engelberg as a new Independent Non-Executive Director from 1 January 2023; the re-appointment of Nick Marsh and Craig Scarr; and the resignation of Hans-Dieter Rohlf from the Board in April 2023.



Governance Structure

The Board determines the long-term strategy, direction and performance of the Group, including approval of the annual budget and business plan. It is responsible for ensuring that the Group acts ethically and meets its legal and regulatory responsibilities, monitoring the Group's performance and ensuring the Group has the necessary resources to meet its objectives.

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

Board

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

The Board delegates responsibility for certain areas to eight principal committees

Nomination Committee	Audit Committee	Risk & Capital Management Committee	Investment Committee	Remuneration Committee	Executive Underwriting & Monitoring Committees	Group Data Protection Committee	Sustainability Committee

Supporting committee/groups

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

Nomination Committee

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

The Committee's primary objective, when necessary, is to identify and evaluate candidates for future appointments. In doing so, it will follow its appointments procedure, which includes taking advice from independent external recruitment consultants. In 2022, the Committee was chaired by Nick Marsh and comprised two other Independent Non-Executive Directors (Hans-Dieter Rohlf and Craig Scarr) and Chief Executive Barry Cook.

Audit Committee

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

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

Craig Scarr, a Chartered Accountant, was appointed Chair of the Committee in 2016. In 2022, the Audit Committee comprised two other Independent Non-Executive Directors (Nick Marsh and Hans-Dieter Rohlf). The Board is satisfied with the recent and relevant financial experience of the Committee Chairman.

Risk & Capital Management Committee

The Group has a Risk and Capital Management Committee that oversees the Group's risk management framework and approach to capital. The main responsibilities of the Committee are: to make recommendations to the Board in respect of its risk strategy, risk appetites and tolerances; to ensure there is an effective and integrated risk management framework in place that allows inherent and emerging risks to be identified, monitored and mitigated in a timely manner (see Principal Risks and Uncertainties on pages 39 to 42 and Note 5); and to recommend to the Board the regulatory capital requirements.

The Committee is chaired by Craig Scarr (Independent Non-Executive Director). The Committee also comprises Hans-Dieter Rohlf (Independent Non-Executive Director), Barry Cook (Chief Executive), Katherine Letsinger (Group CFO), Graham White (Chief Risk Officer), Simon Button (Chief Underwriting Officer – London Market), Thibaud Hervy (Chief Underwriting Officer – Specialty Lines) and the functional leaders, including the Group Chief Operations Officer, Chief Actuary and Head of International Compliance. The Board remains satisfied that the composition of the Committee strengthens the Group's risk management framework, and that the Committee remains focused on the key risks affecting the Group's financial and operating performance.

Investment Committee

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

Katherine Letsinger (Group CFO) chairs this Committee, and in 2022 its membership comprised Nick Marsh (Independent Non-Executive Director), Barry Cook (Chief Executive), Simon Button (Chief Underwriting Officer – London Market), Graham White (Chief Risk Officer), Thibaud Hervy (Chief Underwriting Officer – Specialty Lines), the TMHCC Group's CFO and the TMHCC Group's Head of Investments.

Remuneration Committee

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

In 2022, the Remuneration Committee was chaired by Nick Marsh (an Independent Non-Executive Director). Other members included Barry Cook (Chief Executive), Katherine Letsinger (Group CFO) and Angela Baker (Chief People Officer).

In 2022, the Remuneration Committee was chaired by Nick Marsh (an Independent Non-Executive Director). Other members include Barry Cook (Chief Executive), Katherine Letsinger (Group Chief Financial Officer) and Angela Baker (Chief People Officer).

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

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

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

EUMC – J Business was chaired by Hideki Mishima (Chief Underwriting Officer – J Business) and included the Chief Underwriting Officer – Specialty Lines as well as representatives from the J Business segment, claims and finance.

Group Data Protection Committee

The Group Data Protection Committee's purpose is to oversee the TMHCC Group's data protection framework, monitoring its effectiveness to minimise the risk of regulatory or legal exposure. The TMHCC Group fosters a sense of trust with its data subjects.

During 2022, the Committee was chaired by the Head of International Compliance and Data Protection Officer. Graham White (Chief Risk Officer) and Angela Baker (Chief People Officer) were members of the Committee along with functional heads from the TMHCC Group and TMHCC International. The main responsibilities of the Committee are the annual production of a Data Protection Plan for the TMHCC Group, to monitor any data breaches and data subject access requests.

Sustainability Committee

The Sustainability Committee was established to explore the ESG risks, trends and opportunities that might impact the Group's business, and to develop the Group's Sustainability Strategy. The Committee is chaired by Simon Button (Chief Underwriting Officer – London Market). The composition of the Committee includes the Chief Risk Officer, the Chief Underwriting Officer – Specialty Lines, the Chief People Officer, Independent Non-Executive Director Craig Scarr, the CEO of TME and functional heads including the Global Marketing Leader, the Head of International Compliance and the Company Secretary.

Corporate governance statement

For the year ended 31 December 2022, the Group has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website).

PRINCIPLE 1

Purpose and Leadership

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

The Board recognises that maintaining a healthy culture throughout the organisation is critical to creating and protecting long-term value. The Good Company framework on pages 27 to 28 illustrates the Group's vision, purpose, priorities, culture and values as key elements that will enable it to deliver its strategic objectives. The Group also ensures that Tokio Marine's overarching Good Company vision, which incorporates the fundamental values Look Beyond Profit, Empower Our People and Deliver on Commitments, is consistent with its purpose and values and incorporated into its strategic framework.

The Group operates globally, and its success and continued growth depends on its ability to attract and retain highly skilled, disciplined and experienced individuals of exceptional quality, who thrive in a constantly changing environment. This enables the Group to place one of the values within the Good Company vision, Empower Our People, at the forefront of providing Specialty Insurance solutions that consider the fast-changing impacts of climate change, technological disruption and other issues that may adversely affect clients.

PRINCIPLE 2

Board Composition

Biographies for each Director can be found on pages 43 to 45.

During 2022, the Board comprised the Independent Non-Executive Chairman, seven Executive Directors, two Independent Non-Executive Directors and a Non-Executive Director and was supported by the Company Secretary. The Nomination Committee reviewed the composition of the Board in September 2021 and recommended the appointment of Ko Shimizu as Non-Executive Director and Tokio Marine shareholder representative. Ko was formally appointed to the Board on 1 January 2022.

The Group has a separate Chairman and Chief Executive to ensure it maintains appropriate separation of responsibilities, accountabilities and decision-making.

The Non-Executive Directors, including Independent Non-Executive Directors, bring experience in insurance, reinsurance, finance, audit, risk, governance, operations and the wider Tokio Marine. In addition, the Independent Non-Executive Directors bring outside experience and provide constructive challenge and influence, providing the Board with a diversity of perspectives. The Non-Executive Directors held regular meetings with the Chairman during 2022, and these meetings provided them with the opportunity to exchange views without the presence of the Executive Directors.

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

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

The duties of the Board are partly executed through its Committees. The Independent Non-Executive Directors attend and act as Chairs to relevant Committees so that they can contribute to, challenge and influence a range of areas across the business.

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

The Directors receive regular updates on new legislation, regulatory requirements and other changes to ensure that they are fully equipped to make decisions about the business. In addition, the Directors update their skills and knowledge of – and familiarity with – the business by meeting with senior management; receiving regular presentations at Board meetings from specific departments or lines of business within the Group; and receiving externally facilitated training. The Group has a comprehensive induction programme for all new Directors, which is tailored according to the specific experience and knowledge of each new Director. This programme provides new Directors with access to all areas of the business and its key individuals. As part of their induction, Directors are briefed on their duties under section 172 of the Companies Act 2006 and can access advice on these areas throughout their tenure from either the Company Secretary or an independent external advisor.

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

PRINCIPLE 3

Director Responsibilities

Accountability

The Group's governance framework supports the business to make effective decisions. While the Board has overall responsibility and oversight, the Group's governance framework is designed to ensure that key decisions are made by the individuals and Committees with the most appropriate knowledge and experience. The Board has a schedule of six principal meetings a year, and there is a process by which any significant matters are communicated to the Board outside of its scheduled meetings. The Board receives regular reports on the business, financial performance, operations, D&I and the wellbeing of employees. The Board's key areas of focus in 2022 are included on page 47.

Each Director has a clear understanding of their accountability and responsibilities, which are set out in their Statement of Responsibilities. The Independent Non-Executive Directors are independent in that they have not been an employee of the Group, have no material business relationships with the Group that might influence their independence or judgement and have not served on the Board for more than nine years from the date of their first appointment.

Directors, Heads of Departments and Underwriting and Claims employees are required to complete annual conflicts of interest declarations. These are collated by the Compliance Department, and where there are potential conflicts, appropriate safeguards and processes are put in place. The Company Secretary receives annual confirmation of any conflicts of interest for the Board Directors, and there is a process in place for the Non-Executive Directors to disclose any potential conflicts to the Chairman and Chief Executive.

Committees

The Board is assisted in the discharge of its duties by several Board committees (Audit, Group Data Protection, Risk and Capital Management, Remuneration, Nomination, Investment, Executive Underwriting and Monitoring, and Sustainability). Each committee has defined areas of responsibility which are set out in their terms of reference. The remit and responsibilities of the Board's committees are set out on pages 57 to 60. A review of the governance structure was undertaken during 2022, and changes to the governance structure and composition of the Board committees and sub-committees were recommended to and approved by the Board.

Integrity of information

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

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

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

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

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

PRINCIPLE 4

Opportunity and Risk

Opportunity

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

Risk and responsibilities

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

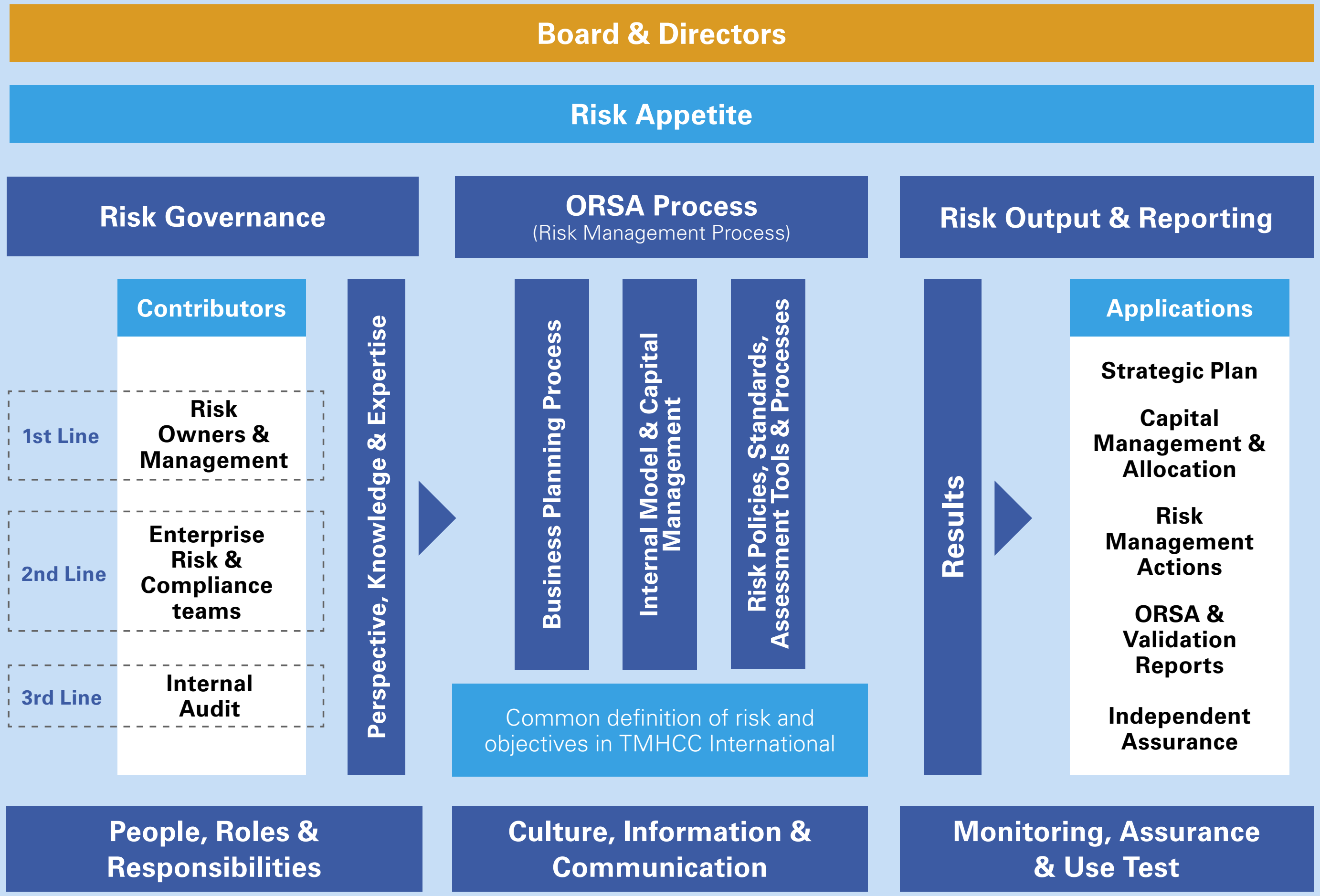
Although the Board has ultimate responsibility for ensuring the Group has a robust ERM framework in place, and regularly reviews its principal risks, mitigants and overall risk appetites, certain risk management activities are delegated to the level that is the most appropriate for overseeing and managing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

The Group's principal risks, uncertainties and mitigations are set out on pages 39 to 42. The Board accepts that the Group's business operations cannot be risk-free; therefore, the ERM framework is designed to manage risk to a desired level and minimise the adverse effects of any residual risk, rather than to entirely eliminate the risk.

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

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

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



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

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

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

The Risk and Capital Management Committee ensures that inherent, emerging and developing risks are identified and managed appropriately and in a timely manner. The Risk and Capital Management Committee meets on a quarterly basis and reviews the risk register, emerging and developing risk radar and a live risk tracker, which are updated quarterly with any changes in underlying risks.

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

PRINCIPLE 5

Remuneration

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

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

The Group promotes a diverse and inclusive workplace, and an environment free from discrimination, harassment, and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation, or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias, and based solely on work criteria and individual merit. As detailed in the People section on pages 31 to 32, the Group has taken steps to further strengthen its D&I Strategy and publishes its gender pay reporting information on its website.

PRINCIPLE 6

Stakeholder Relationships and Engagement

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

The Group is aware of its broader impact on its stakeholders, including its employees, the environment, its customers, and the communities in which it operates. The Group applies the core principles of the Good Company vision, and to support its approach to being a sustainable and responsible business, has established a sustainability governance structure to support its activities. Details of its sustainability initiative, and other initiatives, can be found in the following sections: Good Company Approach, Charity and Community, People, Business Conduct and Ethics and Climate Risk on pages 27 to 36.

The Board ensures it has effective relationships with all stakeholders through ongoing dialogues that are open, co-operative, and transparent. The table within the section 172(1) statement on pages 48 to 54 provides details of the Group's main stakeholders and some of the engagement that has taken place with them at an operational or Board level during the year.

On behalf of the Board

BJ Cook
Chief Executive Officer

Registered in England and Wales at 1 Aldgate

London, EC3N 1RE

Company number 01575839

6 April 2023

Directors' Report

The Directors present their Directors' Report and the audited financial statements of the Group for the year ended 31 December 2022.

The Directors' Report is set out on pages 67 to 68. Additional information is incorporated into this Directors' Report by reference and should be read as part of it, including information required by the Companies Act 2006 which is contained in the Corporate Governance Statement on pages 61 to 65 and in the Strategic Report set out on pages 6 to 65.

Strategic Report

The Group is required to produce a fair, balanced and comprehensive review of the Group's business for the financial year. The Strategic Report details the Group's business strategy and business model on pages 6 to 16, location of branches outside the UK on pages 7 to 8, a description of the principal risks and uncertainties on pages 39 to 42, a review of the Group's activities and the position of the Group at 31 December 2022, as well as its prospects for the future on pages 17 to 26.

Board of Directors

The Directors of the Group set out below have held office from 1 January 2022 to the date of this report unless otherwise stated:

- A M Baker
- S A Button
- B J Cook (Chief Executive Officer)
- P Engelberg (appointed 1 January 2023)
- T J G Hervy
- K L Letsinger
- N C Marsh (Non-Executive Chair)
- H Mishima
- H-D Rohlf (Non-Executive)
- C Scarr (Non-Executive)
- K Shimizu (appointed 1 January 2022)
- G R A White

Indemnification of Directors and Directors' and Officers' Insurance

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

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

Conflicts of Interest

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

Financial Instruments

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

Independent Auditors and Disclosure of Audit Information

The Audit Committee recommended, and the Board approved, the proposal that the current auditors PricewaterhouseCoopers LLP, be re-appointed as auditors of the Group in respect of both the annual UK Generally Accepted Accounting Practice (GAAP) financial statements and the Solvency II regulatory return.

Statement of Directors' Responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Group and HCCII will continue in business.

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

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

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

Directors' Confirmations

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

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

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

Going Concern

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

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

Share Capital

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

Voting

Each Ordinary Share of HCCII carries one vote.

Substantial Shareholding

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

Dividends

Dividends paid during the year totalled $115million (2021:$nil). No final dividend in respect of the year-ended 31 December 2022 is recommended.

Post Balance Sheet Events

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

On behalf of the Board

J L Holliday
Company Secretary

Registered in England and Wales at

1 Aldgate, London, EC3N 1RE

Company number 01575839

6 April 2023

TOKIO MARINE HCC

Independent Auditors Report

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

Report on the audit of the financial statements

Opinion

In our opinion, HCC International Insurance Company plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006..

We have audited the financial statements, included within the Annual Report & Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2022; the Consolidated Profit and Loss Account, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Shareholders' Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

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

Our audit approach

Context

HCC International Insurance Company plc (the 'Company') and its subsidiaries (the 'Group') is a general insurance group located in the United Kingdom and Continental Europe. The Group operates from a number of offices across the UK and also in Spain, Ireland, France, Switzerland, Germany, Italy, Norway, Belgium, Netherlands and Denmark. Our work to address the audit risks that are inherent to the business is supported by our in-house specialists, with our approach consisting of a blend of controls and substantive testing.

Overview

Audit scope	Key audit matters	Materiality
We performed full scope audit procedures over the Group's UK insurance company and European insurance company operations. We identified certain other operations where account balances were significant by virtue of materiality in size or audit risk. These balances were scoped into our audit through specified procedures.	Valuation of claims incurred but not reported ('IBNR') reserves and the associated reinsurers' share of claims IBNR reserves (group and parent).	**Overall group materiality:** $13,200,000 (2021: $11,100,000) based on the change in net earned premium which results in 1% change of combined operating ratio excluding other technical income ("COR"). **Overall company materiality:** $11,100,000 (2021: $9,600,000) based on the change in net earned premium which results in 1% change of combined operating ratio excluding other technical income ("COR"). **Performance materiality:** $9,900,000 (2021: $8,325,000) (group) and $8,325,000 (2021: $7,200,000) (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.

Recoverability of Goodwill, which was a key audit matter last year, is no longer included because the relative risk of uncertainty over valuation of goodwill has reduced from the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of claims incurred but not reported ('IBNR') reserves and the associated reinsurers' share of claims IBNR reserves (group and parent) Refer to Notes 4(i), 20 and 8 for the Group and Company's financial statements for disclosures of related policies and balances. Claims IBNR reserves and the associated reinsurers' share of claims IBNR reserves are a subset of "claims outstanding" within technical provisions, and they represent significant accounting estimates in the financial statements. As at 31 December 2022, the value of the Group's claims IBNR reserves and the associated reinsurers' share of IBNR reserves is $1,124.8 million and $477.7 million respectively. These estimates are included within technical provisions - gross claims outstanding of $1,992.4 million and the reinsurers' share of claims outstanding of $926.5 million respectively as set out in Note 20. As at 31 December 2022, the value of the Company's claims IBNR reserves and the associated reinsurers' share of IBNR reserves is $810.9 million and $210.5 million respectively. These estimates are included within technical provisions - gross claims outstanding of $1,337.5 million and the reinsurers' share of claims outstanding of $411.2 million respectively as set out in Note 8 Technical Provisions - Company. The methodologies and assumptions used by the directors to estimate the Group and Company claims IBNR reserves and the associated reinsurers' share of claims IBNR reserves involves a significant degree of judgement. We consider the key drivers of this risk to be as follows: • The judgements and assumptions used in significant areas of uncertainty; • The consistency of management's approach from year-to-year; • The impact of the current economic and rating environment; • The assessment and development of large and catastrophe losses; and • The judgements and assumptions used when determining IBNR.	We have understood, evaluated and tested the design and operational effectiveness of relevant controls in place in respect of the valuation of claims IBNR reserves and the associated reinsurer's share of claims IBNR reserves, which included controls over the reconciliation of data from the underlying systems and the review and approval of the claims IBNR reserves and the associated reinsurers' share of claims IBNR reserves by the directors. We have also agreed underlying source data back to supporting documentation. In performing our detailed audit work over the valuation of claims IBNR reserves and the associated reinsurer's share of claims IBNR reserves we used actuarial specialists. Our procedures included: • Developing independent point estimates for classes of business considered to be higher risk, particularly focusing on the largest and most uncertain estimates, as at 31 August 2022 and performing roll-forward procedures to 31 December 2022. • Performing key indicator testing (KIT) over the remaining classes of business to ascertain the reasonableness of the claims IBNR reserves. • Applying gross to net ratios against the estimated claims IBNR reserves to calculate the estimated reinsurers' share of claims IBNR reserves. • Performing independent testing on the potential impact of excess inflation on the reserves. Applying an excess uplift to allow for the estimated impact. • Comparing our estimates, based on the procedures performed above, to those booked by management. Based on the work performed we found that the claims IBNR reserves and the associated reinsurers' share of claims IBNR reserves were supported by the evidence we obtained.

TOKIO MARINE HCC

How we tailored the audit scope

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

Using the outputs from our risk assessment, along with our understanding of the Group, we scoped our audit based on the significance of the results and financial position of individual components relevant to the Group result and financial position. In doing so, we also considered qualitative factors and ensured we had obtained sufficient coverage across all financial statement line items in the consolidated financial statements. Our scoping provided us with coverage of over 90% of Group profit before tax, and over 95% of Group total assets. Based on the outputs of our audit scoping exercise, we identified the Group's components to be the Company and its subsidiaries. We performed a full scope audit of the Company and its insurance subsidiary undertaking, Tokio Marine Europe S.A, as they had the most significant impact on the consolidated financial statements. For the remaining components, we identified certain account balances which were considered to be significant in size or audit risk and scoped the audit to include detailed testing of these account balances. As the Group engagement team, we determined the level of involvement required by other auditors to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. We exercised oversight over the work performed by other auditors by maintaining regular and timely communication, including performing video-calls, discussions, review of working papers and written communications as appropriate.

The impact of climate risk on our audit

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

Our knowledge of the Group and Company was applied to evaluate management's assessment of the impact on the financial statements. An evaluation was performed of the completeness of management's assessment of climate change risk under the categories of physical risk, transition risk and liability risk and how these may affect the consolidated financial statements and the audit procedures performed. As part of this, we have reviewed Board and Sustainability Committee meeting minutes and read submissions to regulators. The risks of material misstatement to the Group and Company's financial statements as a result of climate change were assessed and it was concluded that for the year ended 31 December 2022, there was no impact on the key audit matters or the assessment of the risks of material misstatement.

Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	$13,200,000 (2021: $11,100,000).	$11,100,000 (2021: $9,600,000).
How we determined it	the change in net earned premium which results in (in both group and company) 1% change of combined operating ratio excluding other technical income ("COR")	the change in net earned premium which results in (in both group and company) 1% change of combined operating ratio excluding other technical income ("COR")
Rationale for benchmark applied	In determining materiality, we considered financial metrics which we believe relevant to the primary users of the Group and Company's financial statements. We concluded that the COR was the most relevant benchmark as it provides an indicator of relative performance and is a focus of the directors.	In determining materiality, we considered financial metrics which we believe relevant to the primary users of the Group and Company's financial statements. We concluded that the COR was the most relevant benchmark as it provides an indicator of relative performance and is a focus of the directors.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was $5,879,000 - $11,100,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to $9,900,000 (2021: $8,325,000) for the group financial statements and $8,325,000 (2021: $7,200,000) for the company financial statements.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $660,000 (group audit) (2021: $555,000) and $555,000 (company audit) (2021: $480,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group 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 and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority as well as regulatory principles in Luxembourg, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as 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 the 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, senior management involved in the Risk and Compliance functions and Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of the claims reserves as described in the related key audit matter above;
- Assessment of matters reported on the Group's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with relevant laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Testing any transactions entered into outside of the normal course of the Group's business.

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 directors on 14 July 2005 to audit the financial statements for the year ended 31 December 2005 and subsequent financial periods. The period of total uninterrupted engagement is 18 years, covering the years ended 31 December 2005 to 31 December 2022.

Philip Watson
(Senior Statutory Auditor)

for and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

6 April 2023

Financial statements

Consolidated Profit and Loss Account

For the year ended 31 December 2022

Technical account – general business	Note	2022 $'000	2021 $'000
Earned premiums, net of reinsurance			
Gross premiums written	6	1,681,274	1,628,475
Outward reinsurance premiums		(589,496)	(597,647)
Net premiums written		**1,091,778**	**1,030,828**
Change in the gross provision for unearned premiums	20	2,533	(183,545)
Change in the provision for unearned premiums, reinsurers' share	20	(6,310)	68,112
Change in the net provision for unearned premiums		**(3,777)**	**(115,433)**
Earned premiums, net of reinsurance		**1,088,001**	**915,395**
Allocated investment return transferred from the non-technical account	7	34,993	29,504
Other technical income	11	12,619	16,211
Total technical income		**1,135,613**	**961,110**
Claims incurred, net of reinsurance			
Claims paid:			
– gross amount		(478,885)	(479,404)
– reinsurers' share		163,759	221,669
Net claims paid		**(315,126)**	**(257,735)**
Change in the provision for claims:			
– gross amount	20	(369,607)	(356,854)
– reinsurers' share	20	160,500	200,205
Change in the net provision for claims		**(209,107)**	**(156,649)**
Claims incurred, net of reinsurance		**(524,233)**	**(414,384)**
Net operating expenses	8	(356,355)	(330,264)
Total technical charges		**(880,588)**	**(744,648)**
Balance on the technical account for general business	**6**	**255,025**	**216,462**

All results derive from continuing operations.

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

For the year ended 31 December 2022

Non-technical account	Note	2022 $'000	2021 $'000
Balance on the technical account for general business		255,025	216,462
Investment Income:			
- Income from other financial investments		37,832	30,676
- Gains on the realisation of investments		4	1,237
		37,836	31,913
Investment expenses and charges		(2,843)	(2,409)
Unrealised losses on financial investments		(234,219)	(37,596)
Allocated investment return transferred to the general business technical account		(34,993)	(29,504)
Other income		608	65
		(233,611)	(37,531)
Net foreign exchange (loss)/gain	7	(6,869)	13,894
Other charges	10	(24,149)	(26,146)
(Loss)/profit on ordinary activities before tax		(9,604)	166,679
Tax charge on (loss)/profit on ordinary activities	12	(5,742)	(39,481)
(Loss)/profit for the financial year		**(15,346)**	**127,198**

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2022

	Note	2022 $'000	2021 $'000
(Loss)/profit for the financial year		(15,346)	127,198
Currency translation differences		(3,228)	16
Total Consolidated comprehensive (loss)/income		**(18,574)**	**127,214**

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

All results derive from continuing operations.

Consolidated Balance Sheet

As at 31 December 2022

Assets	Note	2022 $'000	2021 $'000
Intangible assets			
Goodwill	13	75,927	74,409
Other intangible assets	13	41,435	54,766
		117,362	129,175
Investments			
Land and buildings		239	239
Other financial investments	14	1,982,900	1,819,817
		1,983,139	1,820,056
Reinsurers' share of technical provisions			
Provision for unearned premiums	20	216,466	219,375
Claims outstanding	20	926,539	801,740
		1,143,005	1,021,115
Debtors			
Debtors arising out of direct insurance operations			
- Policyholders		10,163	44,266
- Intermediaries		328,449	306,712
Debtors arising out of reinsurance operations		258,693	235,874
Other debtors	16	82,516	44,649
		679,821	631,501
Other assets			
Tangible assets	17	7,239	7,102
Deposits from third parties		150,478	49,628
Cash at bank and in hand		122,154	292,032
		279,871	348,762
Prepayments and accrued income			
Accrued interest and rent		14,910	11,357
Deferred acquisition costs	20	135,488	132,959
		150,398	144,316
Total Assets		**4,353,596**	**4,094,925**

Consolidated Balance Sheet

As at 31 December 2021

Liabilities	Note	2022 $'000	2021 $'000
Capital and reserves			
Called up share capital	18	233,242	233,242
Share premium		19,115	19,115
Merger reserve		(19,115)	(19,115)
Other reserve		(3,319)	(91)
Profit and loss account		769,103	899,449
Total shareholder's equity		**999,026**	**1,132,600**
Technical provisions			
Provision for unearned premiums	20	708,201	707,350
Claims outstanding	20	1,992,435	1,712,161
		2,700,636	2,419,511
Creditors – amounts due within one year			
Creditors arising out of direct insurance operations		46,412	39,787
Creditors arising out of reinsurance operations		284,513	270,654
Other creditors including taxation and social security	19	40,249	44,185
Deposits from third parties		150,547	49,688
		521,721	404,314
Accruals and deferred income			
Accruals		81,957	84,656
Deferred acquisition costs arising out of reinsurance operations	20	50,256	53,844
		132,213	138,500
Total liabilities		**4,353,596**	**4,094,925**

The financial statements on pages 79 to 132 were approved by the Board of Directors and were signed on its behalf by

K L Letsinger

Director

5 April 2023

Company registration number 1575839

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

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022

Capital and reserves	Called up share capital $'000	Share premium $'000	Profit and loss account $'000	Currency exchange reserve $'000	Merger reserve $'000	Total equity $'000
At 1 January 2022	233,242	19,115	(19,115)	(91)	899,449	1,132,600
Loss for the financial year	-	-	-	-	(15,346)	(15,346)
Other comprehensive loss	-	-	-	(3,228)	-	(3,228)
Dividends Paid	-	-	-	-	(115,000)	(115,000)
At 31 December 2022	233,242	19,115	(19,115)	(3,319)	769,103	999,026

Capital and reserves	Called up share capital $'000	Share premium $'000	Profit and loss account $'000	Currency Exchange reserve $'000	Merger reserve $'000	Total equity $'000
At 1 January 2021	233,242	19,115	(19,115)	(107)	772,251	1,005,386
Profit for the financial year	-	-	-	-	127,198	127,198
Other Comprehensive Income	-	-	-	16	-	16
At 31 December 2021	233,242	19,115	(19,115)	(91)	899,449	1,132,600

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Cash inflow from operating activities	21	(31,793)	48,075
Taxation paid		(22,388)	(42,405)
Net cash (used in)/ generated from operating activities		(54,181)	5,670
Cash flow from investing activities			
Purchase of tangible assets		(697)	(921)
Net cash used in investing activities		(697)	(921)
Cash flow from financing activities			
Dividends paid		(115,000)	-
Net cash used in financing activities		(115,000)	-
Net (decrease)/increase in cash at bank and in hand		(169,878)	4,749
Cash and cash equivalents at the beginning of the year		292,032	287,283
Cash and cash equivalents at the end of the year		122,154	292,032
Cash and cash equivalents consist of:			
Cash at bank and in hand		122,154	292,032
		122,154	292,032

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

Notes to the consolidated financial statements

1. General information

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

2. Basis of preparation

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

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

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

3. Summary of significant accounting policies

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

A. Basis of consolidation

The consolidated financial statements include the financial statements of HCCII and all of its subsidiary undertakings up to 31 December 2022.

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

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

HCCII has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual Profit and Loss Account.

B. Foreign currency

The Group's functional and presentation currency is US Dollars. For subsidiaries whose functional currency is US Dollars, foreign currency transactions are recorded using the spot exchange rates at the dates of the transactions into the functional currency. At each period end, foreign currency monetary assets and liabilities are revalued using the closing rate prevailing at that time. For this purpose, all assets and liabilities arising from Insurance contracts (including Unearned premiums and Deferred acquisition costs) are monetary items.

Differences arising on the revaluation of foreign currency amounts to the functional currency are recognised in the Non-technical Profit and Loss Account.

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

(a) Assets and liabilities are translated at the closing rate at the balance sheet date;

(b) Income and expenses are translated at the average rate of exchange during the year; and

(c) All resulting exchange differences are recognised in the Consolidated statement of Other comprehensive income.

C. Insurance contracts

i. Classification of insurance

The Group issues insurance contracts that transfer significant insurance risk.

ii. Insurance transactions

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

a. Premiums written

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

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

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

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

e. Claims provisions and related reinsurance recoveries
A provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not reported to the Group, expenses to be incurred in settling claims and deduction for expected value of salvage and other recoveries on claims not settled. Whilst the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Gross loss provisions are calculated gross of any reinsurance recoveries.

The estimate of claims IBNR is generally subject to a greater degree of uncertainty than the estimate of the cost of settling claims already notified to the insurer, where more information about a claim event is generally available. Claims (IBNR) may not become known to the insurer until many years after the event giving rise to the claim. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

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

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

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

Credit and Surety, London Market and Other Business

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

Professional Risks and Financial Lines

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

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

The reinsurers' share of claims incurred in the profit and loss account reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as "Outward reinsurance premiums".

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

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

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

E. Taxation

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

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

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

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

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

F. Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

Business combinations

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

Contingent consideration is initially recognised as an estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill

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

Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment annually and any impairment is charged to the Profit and Loss Account immediately. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

G. Intangible assets

Intangible assets representing broker relationships and trade brand names are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using a straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives which are 15 years. Amortisation and any impairment expense are charged to other charges in the Non-Technical Account. Intangible assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

H. Land and buildings held as investments

On a periodic basis, management consider the open market valuation of the Group's land and buildings held as investments. The valuation is performed by an independent suitably qualified valuer on an occupied basis.

Any aggregate surplus or deficit on revaluation of investment properties is taken to the Non-Technical account. Should the valuation fall below its cost then any impairment is charged to the Technical Account immediately.

Revaluation losses on owner occupied properties are taken to Other comprehensive income to the extent they reverse a previously recognised revaluation gain with any further loss exceeding that gain charged in the Non-Technical Account. Revaluation gains on owner occupied properties are taken to Other comprehensive income except to the extent that those gains reverse a revaluation loss on the same property that was previously recognised as expense.

I. Tangible assets

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

Depreciation

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

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

Derecognition

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

J. Impairment of non-financial assets

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

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

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

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

K. Investments in subsidiary undertakings - Company

Investments in subsidiary undertakings are stated in the balance sheet at fair value (see note o below for measurement policy) with changes in fair value recognised in Other comprehensive income, or, if an impairment expense, in the Profit and Loss Account and presented in Non-Technical Account.

L. Cash and cash equivalents

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

A company within the Group also manages claims funds of $28.9 million on behalf of third-party insurers. These are held in fiduciary accounts and any associated credit risk remains with the third-party insurers. Accordingly these amounts are not included on the balance sheet of the Group.

M. Financial instruments

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

N. Financial assets

The Group classifies its financial assets into the following categories:

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

Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell in the short term or that it has designated at fair value through profit or loss. Loans and receivables are initially recognised at transaction price, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently measured at amortised cost using the effective interest rate method. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

Fair value through profit or loss

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

The fair values of financial assets traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

O. Valuation of fair value assets

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

- Level 1 – Inputs are based on quoted prices in active markets; These financial instruments are traded in active markets whose fair value is based on quoted bid prices at the balance sheet date
- Level 2 –Recent transactions in an identical or similar asset in the absence of quoted prices in active markets at the balance sheet date or are derived from or corroborated by observable market data;

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

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

The Group is responsible for the prices used in its fair value measurements and uses independent pricing services to assist itself in determining fair value of all of its Level 2 investments. The pricing services provide a single price or quote per security. The Group uses data provided by the Group's third-party investment managers to value its Level 2 investments. To validate that these quoted prices are reasonable estimates of fair value, the Group performs various quantitative and qualitative procedures, including:
1) evaluation of the underlying methodologies;
2) analysis of recent sales activity;
3) analytical review of the Group's fair values against current market prices; and
4) comparison of the pricing services' fair value to other pricing services' fair value for the same investment.

No markets for the Group's investments were judged to be inactive at period end. Based on these procedures, the Group did not adjust the prices or quotes provided by its independent pricing services, third party investment managers as of 31 December 2022 or at 31 December 2021.

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

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

P. Impairment of financial assets

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

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

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

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

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

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

Financial liabilities Financial liabilities are creditors and are recognised initially at fair value, net of directly attributable transaction costs.

Q. Investment return

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

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

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

R. Share capital

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

S. Distributions to equity holders

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

T. Share premium

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

4. Critical accounting judgements and estimation uncertainty

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

Significant estimate assumptions in applying accounting policies

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

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

The estimate of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. The carrying amount of the claims outstanding, net of reinsurance is $1,065.9m (2021: $910.4m), see Note 20 for net claims outstanding. There are many sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims, historical experience, case law and legislative and judicial actions.

The most significant assumptions made relate to the level of future claims, the amount of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly. See Note 5.1 (iv) for loss development triangles.

II. Fair value of financial instruments

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

If quoted prices are unavailable, observable prices for recent arm's length transactions for an identical asset are used to determine its fair value and classified as level 2. The carrying value of these level 2 instruments is $1,886.9m (2021:$1,757.9m), see Note 15 and Note 3(o) for measurement policy. The Group uses its judgement to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

III. Pipeline premium

The Group makes an estimate of premiums written on a policy by policy basis. Pipeline premium is the difference between estimated premium and booked premium. For the majority of lines written, premium is adjusted to equal booked premiums two years post expiry of cover. Pipeline premium is recorded within gross written premium and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element. The pipeline premium included within net written premium for the year is $246.7m (2021:$249.2m).

5. Risk management

The Group has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. The Group maintains a risk register and categorises its risks into six areas: Insurance; Strategic, Regulatory and Group; Market; Operational; Credit; and Liquidity. The sections below outline the Group's risk appetite and explain how it defines and manages each category of risk. The disclosures set out in this note have been presented at the Group level. HCCII disclosures are included within the notes to the company financial statements.

5.1 Insurance risk

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

i. Underwriting risk

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

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

The Group manages and models these four elements in the following three categories: attritional claims, large claims and catastrophe events.

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

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

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

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

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

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

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

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

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

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

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

The Group continues to monitor geopolitical tensions around the world, including the military conflict in Ukraine and the potential hostilities between China and Taiwan. With regard to the Ukraine conflict, the impact on the Group continues to be limited with only a few classes of business having direct exposure. The main indirect exposure has been market volatility driven by the continuing economic impacts arising from the crisis, However, the Group's cautious investment strategy, long-term focus and a general policy of holding investments to maturity mean that the current state of affairs is unlikely to cause any material long-term issues from an investment perspective. Other indirect exposures are limited by the Group's robust operational frameworks. The impact of the conflict on future business is expected to remain limited.

ii. Reinsurance risk

Reinsurance risk arises where reinsurance contracts:

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

Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section. See Note 5.5.

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

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

iii. Claims management risk

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

The Group's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment and the business' broader interests. Prompt case reserves are set for all known claims liabilities, including provisions for expenses as soon as a reliable estimate can be made of the claims liability.

iv. Reserving risk

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

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

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

Gross and net development triangles of the estimate of ultimate claim cost for claims notified in a given year are presented below for the Group and give an indication of the accuracy of the Group's estimation technique for claims payments. Data has been translated using 31 December 2022 foreign exchange rates throughout the triangle.

Loss development triangles – GROSS Ultimate claims and cumulative payments	2014 $'000	2015 $'000	2016 $'000	2017 $'000	Accident year 2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
End of reporting year	157,856	182,209	252,365	248,390	271,612	481,807	552,858	668,734	768,807	
- one year later	164,255	213,553	254,274	246,917	353,446	559,586	639,085	705,789		
- two years later	138,048	233,295	247,925	264,378	356,592	582,878	632,449			
- three years later	138,028	223,440	305,556	289,714	359,839	555,935				
- four years later	136,169	229,411	302,219	261,440	365,471					
- five years later	151,047	210,509	314,869	284,490						
- six years later	149,975	231,479	321,119							
- seven years later	147,213	242,536								
- eight years later	162,912									
Current estimate of ultimate claims	162,912	242,536	321,119	284,490	365,471	555,935	632,449	705,789	768,807	
Cumulative payments to date	138,405	194,885	301,795	254,248	235,561	349,246	326,093	210,115	115,246	
Liability recognised in the balance sheet	24,507	47,651	19,324	30,242	129,910	206,689	306,356	495,674	653,561	1,913,914
Provision in respect of previous years										78,521
Total provision included in the balance sheet										**1,992,435**

Loss development triangles – NET Ultimate claims and cumulative payments	2014 $'000	2015 $'000	2016 $'000	2017 $'000	Accident year 2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
End of reporting year	119,828	142,119	183,492	190,193	206,961	274,687	283,732	375,814	500,777	
- one year later	119,066	155,539	181,954	199,662	249,505	294,885	304,271	363,490		
- two years later	98,411	153,205	173,764	199,802	256,855	270,676	311,325			
- three years later	102,427	147,824	207,821	217,545	260,094	237,420				
- four years later	103,002	152,893	204,699	193,528	263,152					
- five years later	109,460	143,568	217,485	210,789						
- six years later	109,965	154,158	228,568							
- seven years later	110,089	153,368								
- eight years later	113,815									
Current estimate of ultimate claims	113,815	153,368	228,568	210,789	263,152	237,420	311,325	363,490	500,777	
Cumulative payments to date	102,233	137,107	209,005	198,168	192,307	167,129	163,610	128,166	79,432	
Liability recognised in the balance sheet	11,582	16,261	19,563	12,621	70,845	70,291	147,715	235,324	421,345	1,005,547
Provision in respect of previous years										60,349
Total provision included in the balance sheet										**1,065,896**

5.2 Strategic, regulatory and group risk

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

i. Strategic risk

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

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

ii. Regulatory risk

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

Capital management

The Group estimates its economic capital requirements using an internal model (the Economic Capital Model (ECM)) which, the directors believe, is the most appropriate tool to determine the Group's medium-term capital needs. Additionally, EIOPA's Solvency II Standard Formula Solvency Capital Requirement (SF SCR) is used as the measure for required regulatory capital for the Group and HCCII. The Board has reviewed the SF SCRs against the ECMs and has concluded that the SF SCRs are appropriate. The SF SCRs are measured against the Solvency II Own Funds to monitor solvency ratios. Given the inherent volatility of the SF SCR and Solvency II Own Funds, the Group carried an amount in excess of the regulatory minimum. At 31 December 2022, the Group Solvency II available assets are 422% (2021:472%) of the regulatory minimum capital requirement and 115% (2021:145%) of the SF SCR.

iii. Group risk

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

Contagion

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

Reputation

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

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

5.3 Market risk

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

The investment strategy is developed by reference to an investment risk budget, which is reviewed annually by the directors as part of the overall risk budgeting framework of the business. In 2022, the investment risk budget was re-confirmed as the amount of an investment loss, at the 1-in-200 Tail Value at Risk (TVaR) level, and would be no more than the Group's excess capital (above the regulatory minimum). The investment risk appetite for 2023 will be consistent with 2022.

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

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

i. **Foreign exchange risk**

The Group's functional and reporting currency is US Dollars and when possible, the Group generally hedges currency monetary liabilities (excluding unearned premium and deferred acquisition costs arising out of reinsurance operations) with assets in those same currencies. Excess assets are generally held in US Dollars. The effect of this on foreign exchange risk is that the Group is mainly exposed to revaluation FX gains/losses of unmatched non-US Dollars denominated positions.

The Group operates in six main currencies: US Dollars; Sterling; Canadian Dollars; Swiss Francs; Australian Dollars and Euros. Transactions in all currencies are converted to the US Dollars functional currency on initial recognition with any balances on monetary items at the reporting date being translated at the US Dollars spot rate. The following table summarises the carrying value of total assets and total liabilities and net profit, converted to US Dollars, categorized by the Group's main currencies.

FX risk exposure 31 December 2022	AUD $ $'000	CAD $ $'000	CHF Fr $'000	EUR € $'000	GBP £ $'000	Subtotal $'000	USD $ $'000	Total $'000
Total assets	106,991	11,061	40,670	1,110,307	917,301	2,186,330	2,167,266	4,353,596
Total liabilities	(122,642)	(11,779)	(30,589)	(1,179,899)	(986,512)	(2,331,421)	(1,023,149)	(3,354,570)
Net (liability)/assets	**(15,651)**	**(718)**	**10,081**	**(69,592)**	**(69,211)**	**(145,091)**	**1,144,117**	**999,026**
Net profit/(loss)	**(2,491)**	**1,764**	**4,268**	**17,765**	**(14,993)**	**6,313**	**(21,659)**	**(15,346)**

FX risk exposure 31 December 2021	AUD $ $'000	CAD $ $'000	CHF Fr $'000	EUR € $'000	GBP £ $'000	Subtotal $'000	USD $ $'000	Total $'000
Total assets	114,091	15,034	47,393	971,633	798,379	1,946,530	2,148,395	4,094,925
Total liabilities	(127,286)	(13,609)	(41,582)	(1,058,144)	(853,762)	(2,094,383)	(867,942)	(2,962,325)
Net (liability)/assets	**(13,195)**	**1,425**	**5,811**	**(86,511)**	**(55,383)**	**(147,853)**	**1,280,453**	**1,132,600**
Net profit/(loss)	**1,876**	**(36)**	**2,387**	**29,634**	**(7,575)**	**26,286**	**100,912**	**127,198**

Sensitivity analysis

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

FX risk exposure – sensitivity	Impact on profit after tax		Impact on net assets	
Change in exchange rate of Canadian Dollar, Australian Dollar, Swiss Franc, Euro and Sterling, relative to US Dollar	2022 $'000	2021 $'000	2022 $'000	2021 $'000
US Dollar weakens 30% against other currencies	1,534	6,387	(43,527)	(44,356)
US Dollar weakens 20% against other currencies	1,023	4,258	(29,018)	(29,571)
US Dollar weakens 10% against other currencies	511	2,129	(14,509)	(14,785)
US Dollar strengthens 10% against other currencies	(511)	(2,129)	14,509	14,785
US Dollar strengthens 20% against other currencies	(1,023)	(4,258)	29,018	29,571
US Dollar strengthens 30% against other currencies	(1,534)	(6,387)	43,527	44,356

ii. **Interest rate risk**

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

The Group manages interest rate risk by investing primarily in short duration financial assets along with holding cash. The Investment Committee monitors the duration of these assets on a regular basis.

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

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

Investments and cash – duration 31 December 2022	<1 yr $'000	1–2 yrs $'000	2–3 yrs $'000	3–4 yrs $'000	4–5 yrs $'000	5–10 yrs $'000	>10 yrs $'000	Non-interest bearing $'000	Total $'000
Variable yield securities	50,846	-	-	-	-	-	-	-	50,846
Debt securities	129,062	278,731	217,292	415,276	213,036	190,085	392,584	-	1,836,066
Other investments	-	-	-	-	-	-	-	95,988	95,988
Total other financial investments	**179,908**	**278,731**	**217,292**	**415,276**	**213,036**	**190,085**	**392,584**	**95,988**	**1,982,900**
Deposits from third parties	150,478	-	-	-	-	-	-	-	150,478
Cash at bank	122,154	-	-	-	-	-	-	-	122,154
Total	**452,540**	**278,731**	**217,292**	**415,276**	**213,036**	**190,085**	**392,584**	**95,988**	**2,255,532**

Investments and cash – duration 31 December 2021	<1 yr $'000	1–2 yrs $'000	2–3 yrs $'000	3–4 yrs $'000	4–5 yrs $'000	5–10 yrs $'000	>10 yrs $'000	N/A $'000	Total $'000
Variable yield securities	10,520	-	-	-	-	-	-	-	10,520
Debt securities	104,361	107,284	213,780	127,609	125,973	372,958	695,431	-	1,747,396
Other investments	-	-	-	-	-	-	-	61,901	61,901
Total other financial investments	**114,881**	**107,284**	**213,780**	**127,609**	**125,973**	**372,958**	**695,431**	**61,901**	**1,819,817**
Deposits from third parties	49,628	-	-	-	-	-	-	-	49,628
Cash at bank	292,032	-	-	-	-	-	-	-	292,032
Total	**456,541**	**107,284**	**213,780**	**127,609**	**125,973**	**372,958**	**695,431**	**61,901**	**2,161,477**

Sensitivity analysis

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

Investments and cash – interest rate sensitivity Shift in yield (basis points)	Impact on profit after tax 2022 $'000	2021 $'000	Impact on net assets 2022 $'000	20201 $'000
100 basis point increase	(77,411)	(84,493)	(77,411)	(84,493)
50 basis point increase	(39,394)	(42,476)	(39,394)	(42,476)
50 basis point decrease	40,742	39,946	40,742	39,946
100 basis point decrease	82,781	73,675	82,781	73,675

5.4 Operational risk

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

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

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

Addressing conduct risk has always been treated as a priority irrespective of the regulatory emphasis on the selling of financial products, including insurance products, to consumers, including the recent and up-coming requirements of Fair Value and Consumer Duty regulations. The Group's primary objective is that all policyholders should receive fair treatment throughout the product lifecycle, which requires the effective management of conduct risk. However, conduct risk is not limited to the fair treatment of customers and the Group's Conduct Risk Policy broadly defines conduct risk as "…the risk that detriment is caused to the Group, our customers, clients or counterparties because of the inappropriate execution of our business activities."

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

Operational resilience

Following successfully meeting the PRA/FCA regulatory March 2022 deadline (including identifying important business services, completing resource mapping of all business processes and setting impact tolerances), the operational resilience project was completed and closed in October 2022. Responsibility for the ongoing remediation of identified gaps, which have to be closed by March 2025, was transferred to the business, through the newly created operational resilience office, while the Enterprise Risk function will maintain oversight of the stress testing framework and the annual self-assessment requirements.

5.5 Credit risk

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

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

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

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

An approval system exists for all new brokers and coverholders and their performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and the Group's credit control function frequently assesses the ageing and collectability of debtor balances. Any large aged items are prioritised and where collection is outsourced incentives are in place to support these priorities.

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

The Group has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance approval group, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently and collateral is taken to mitigate the Group's credit risk exposure. As at 31 December 2022 US$ 4,723k (2021:$1,713k)of collateral was held by the Group. To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's (S&P) ratings are used. The Group's concentrations of credit risk have been categorised by these ratings in the following table.

Investments, reinsurance assets and cash – credit ratings 31 December 2022	AAA $'000	AA $'000	A $'000	BBB $'000	BB $'000	Not rated $'000	Total $'000
Variable yield securities	50,846	-	-	-	-	-	50,846
Debt securities	153,681	711,421	614,523	355,197	1,244	-	1,836,066
Other investments		-	-	-	-	95,988	95,988
Total other financial investments	**204,527**	**711,421**	**614,523**	**355,197**	**1,244**	**95,988**	**1,982,900**
Reinsurers' share of technical provisions	-	431,826	699,095	-	-	12,084	1,143,005
Debtors arising out of reinsurance operations	-	93,152	161,704	-	-	3,837	258,693
Deposits from third parties	-	-	150,478	-	-	-	150,478
Cash at bank	122,154	-	-	-	-	-	122,154
Total	**326,681**	**1,236,399**	**1,625,800**	**355,197**	**1,244**	**111,909**	**3,657,230**

Investments, reinsurance assets and cash – credit ratings 31 December 2021	AAA $'000	AA $'000	A $'000	BBB $'000	BB $'000	Not rated $'000	Total $'000
Variable yield securities	10,520	-	-	-	-	-	10,520
Debt securities	116,434	796,437	526,643	307,882	-	-	1,747,396
Other investments	-	-	-	-	-	61,901	61,901
Total other financial investments	**126,954**	**796,437**	**526,643**	**307,882**	**-**	**61,901**	**1,819,817**
Reinsurers' share of technical provisions	-	461,390	532.014	16,721	-	10,990	1,021,115
Debtors arising out of reinsurance operations	-	122,819	106,324	6,259	-	472	235,874
Deposits from third parties	-	-	49,614	-	-	-	49,614
Cash at bank	292,032	-	-	-	-	-	292,032
Total	**418,986**	**1,380,646**	**1,214,595**	**330,862**	**-**	**73,363**	**3,418,452**

The Group's largest counterparty exposure is $169.3m of US Government securities (2021:$234.9m).

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

Financial assets – ageing 31 December 2022	Not yet due $'000	Up to 3 months past due $'000	3 – 6 months past due $'000	7 – 12 months past due $'000	> 1 year past due $'000	Total $'000
Reinsurers share of claims outstanding	926,539	-	-	-	-	926,539
Insurance debtors	256,421	59,210	13,996	6,514	2,471	338,612
Reinsurance debtors	237,652	11,773	3,377	4,053	1,838	258,693
Other debtors	82,516	-	-	-	-	82,516
Total	**1,503,128**	**70,983**	**17,373**	**10,567**	**4,309**	**1,606,360**

Financial assets – ageing 31 December 2021	Not yet due $'000	Up to 3 months past due $'000	3 – 6 months past due $'000	7 – 12 months past due $'000	> 1 year past due $'000	Total $'000
Reinsurers share of claims outstanding	801,740	-	-	-	-	801,740
Insurance debtors	273,701	58,060	6,734	9,008	3,475	350,978
Reinsurance debtors	213,416	11,391	7,605	2,483	979	235,874
Other debtors	44,649	-	-	-	-	44,649
Total	**1,333,506**	**69,451**	**14,339**	**11,491**	**4,454**	**1,433,241**

5.6 Liquidity risk

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

The Group's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event. Details of the Group's management of its exposure to loss scenarios are provided in Note 5.1.(i). This means that the Group maintains sufficient liquid assets, or assets that can be readily converted into liquid assets at short notice, to meet expected cash flow requirements. The Group can also draw on group funds to bridge short-term cash flow requirements. The following table is an analysis of the net contractual cash flows based on all the liabilities held at 31 December 2022 and 2021:

Financial liabilities – projected cash flows 31 December 2022	Within 1yr $'000	1–3 years $'000	3–5 years $'000	>5 years $'000	Total $'000
Gross claims outstanding	723,643	676,592	299,483	292,717	1,992,435
Creditors from direct insurance operations	46,412	-	-	-	46,412
Creditors from reinsurance operations	284,513	-	-	-	284,513
Other creditors	40,249	-	-	-	40,249
Total	**1,094,817**	**676,592**	**299,483**	**292,717**	**2,363,609**

Financial liabilities – projected cash flows 31 December 2021	Within 1yr $'000	1–3 years $'000	3–5 years $'000	>5 years $'000	Total $'000
Gross claims outstanding	642,695	570,504	250,630	248,332	1,712,161
Creditors from direct insurance operations	39,787	-	-	-	39,787
Creditors from reinsurance operations	270,654	-	-	-	270,654
Other creditors	44,185	-	-	-	44,185
Total	**997,321**	**570,504**	**250,630**	**248,332**	**2,066,787**

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

Investments and cash – maturity 31 December 2022	Within 1yr $'000	1–3 years $'000	3–5 years $'000	>5 years $'000	N/A $'000	Total $'000
Variable yield securities	50,846	-	-	-	-	50,846
Debt securities	106,969	465,446	350,730	912,921	-	1,836,066
Other investments	-	-	-	-	95,988	95,988
Total other financial investments	**157,815**	**465,446**	**350,730**	**912,921**	**95,988**	**1,982,900**
Cash at bank	122,154	-	-	-	-	122,154
Total	**279,969**	**465,446**	**350,730**	**912,921**	**95,988**	**2,105,054**

Investments and cash – maturity 31 December 2021	Within 1yr $'000	1–3 years $'000	3–5 years $'000	>5 years $'000	No maturity $'000	Total $'000
Variable yield securities	10,520	-	-	-	-	10,520
Debt securities	104,361	321,063	253,582	1,068,390	-	1,747,396
Other investments	-	-	-	-	61,901	61,901
Total other financial investments	**114,881**	**321,063**	**253,582**	**1,068,390 61,901**	**1,819,817**	**1,517,455**
Cash at bank	292,032	-	-	-	-	292,032
Total	**406,913**	**321,063**	**253,582**	**1,068,390**	**61,901**	**2,111,849**

5.7 Other Current Risks

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

Sustainability

Sustainability risk, including climate change risk, continues to be recognised as a key risk for the Group. 2022 has seen further work in terms of finalising the inclusion of sustainability risk within its governance and risk frameworks, which included: 1) development of a sustainability strategy; 2) drafting of a sustainability risk policy; 3) initial scoping of risk appetites, and risk metrics to monitor them; 4) further development of the specific Climate Risk sub-risk register; 5) implementation of ESG metrics to apply to the current investment portfolios; and 6) further initial work on potential quantitative impacts of climate change, including capital assessments and impacts from reverse stress tests. Work will continue on sustainability risk in 2023, particularly with regard to increasing the sophistication of the quantitative elements of the framework.

Inflation

The issue of inflation, including social inflation, is a current hot topic in the industry. The impact of inflation will vary widely, noting that a significant proportion of the business comprises short-tail, non-US business, where the inflation poses relatively little risk, although for some other lines of business (e.g. Energy) inflation has a greater impact. Management, therefore has looked at the how the risk is being mitigated in the areas of underwriting, claims, reserving and capital modelling and have concluded that the mitigations are appropriate, while noting that explicit allowance for inflation has been incorporated within the year end reserving process and will be enhanced within the capital model. The explicit inflation adjustment on reserves is not considered to be material. In the current inflationary environment, the risk is being kept under close review.

Outsourcing & Supplier Management

Outsourcing and supplier management is a key focus for the Group, in light of greater reliance on cloud service providers and increased use of coverholders. Strong risk governance in this area is vital to ensure uninterrupted service to both external and internal stakeholders. It is also a sub-component of Supply Chain risk, which is an area subject to increased scrutiny with regulatory focus on insurers and their ability to demonstrate their operational resilience in this regard. Against a backdrop of increased digitalisation of the insurance market and escalating cyber-security threats, robust supply chain management is paramount. A central Vendor Management System has been purchased as part of a project that will better ensure the performance of due diligence and monitoring against service standards. Resilience standards are also in the process of being developed to ensure that any disruption experienced by the Group's material outsourcers does not impact the service they provide to the company.

COVID-19

Although COVID-19 continues to bring some uncertainty to the world at large, from the Group business perspective, the pandemic has developed broadly in line with expectations and the uncertainty has generally reduced. A potential indirect impact from COVID-19 is related to potential market volatility, as governments around the world continued to withdraw their national structural support during 2022. This has, to a certain extent, been superseded by the market volatility attributable to the Russia/Ukraine crisis, which is further discussed in Note 5.1. From an operational perspective, an additional potential risk was recognised during 2022, associated with the return to the office and new hybrid operating model. This was reflected by elevated statuses on two risks on the risk register during 2022, but with the successful implementation of the new operating model, these risks had returned to stable by the end of 2022.

6. Segmental information

(a) Underwriting result by class of business

2022	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance balance $'000	Net underwriting result $'000
Direct insurance						
Accident and health	61,484	63,368	(25,844)	(20,562)	(10,207)	6,755
Marine, aviation and transport	258,233	252,753	(199,299)	(63,607)	(2,632)	(12,785)
Fire and other damage to property	184,771	167,730	(10,346)	(60,931)	(52,239)	44,214
Third party liability	540,831	554,036	(325,419)	(152,105)	30,967	107,479
Credit, political risk and suretyship	223,342	224,143	(105,885)	(76,086)	(5,989)	36,183
Other	34,788	35,607	17,791	(15,228)	(39,736)	(1,566)
Total direct	1,303,449	1,297,637	(649,002)	(388,519)	(79,836)	180,280
Reinsurance acceptances	**377,825**	**386,170**	**(199,490)**	**(95,665)**	**(63,882)**	**27,133**
Total	1,681,274	1,683,807	(848,492)	(484,184)	(143,718)	207,413
Investment return						34,993
Other technical income						12,619
Technical account						**255,025**

2021	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance balance $'000	Net underwriting result $'000
Direct insurance						
Accident and health	67,538	61,301	(48,290)	(16,576)	14,063	10,498
Marine, aviation and transport	258,608	226,375	(157,872)	(61,396)	1,396	8,503
Fire and other damage to property	147,216	117,494	(57,434)	(37,913)	(16,688)	5,459
Third party liability	544,833	477,762	(255,494)	(138,919)	38,288	121,637
Credit, political risk and suretyship	222,288	211,188	(51,656)	(75,740)	(22,188)	61,604
Other	28,265	26,002	(32,199)	(17,972)	11,379	(12,790)
Total direct	1,268,748	1,120,122	(602,945)	(348,516)	26,250	194,911
Reinsurance acceptances	**359,727**	**324,808**	**(233,313)**	**(86,113)**	**(29,546)**	**(24,164)**
Total	1,628,475	1,444,930	(836,258)	(434,629)	(3,296)	170,747
Investment return						29,504
Other technical income						16,211
Technical account						**216,462**

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

(b) Geographical location of underwriting operations

	Gross premiums written		Profit/(loss) before taxation		Net assets	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
United Kingdom	1,054,780	1,025,068	9,153	155,910	785,841	921,745
Rest of Europe	626,494	603,407	(18,757)	10,769	213,185	210,855
	1,681,274	1,628,475	(9,604)	166,679	999,026	1,132,600

(c) Geographical location of gross premiums written by destination

	2022 $'000	2021 $'000
United Kingdom	781,154	718,177
Rest of Europe	440,981	410,506
Rest of the World	459,139	499,792
	1,681,274	1,628,475

7. Investment return

	2022 $'000	2021 $'000
Net foreign exchange gains/(losses) in revaluation of the non-US Dollar investment portfolio	3,656	(3,486)
Foreign exchange (losses)/gains on revaluation of other non-US Dollar monetary assets and liabilities	(10,525)	17,380
	(6,869)	13,894

8. Net operating expenses

	2022 $'000	2021 $'000
Commission costs	273,222	264,823
Change in deferred acquisition costs (Note 20)	(1,271)	(40,424)
Reinsurance commissions and profit participation	(127,829)	(104,365)
Earned net acquisition costs	**144,122**	**120,034**
Administrative expenses	212,233	210,230
	356,355	330,264

Total commission written during the year in respect of direct insurance was $232.6m (2021: $217.9m).

Staff costs

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

Group	2022 $'000	2021 $'000
Wages and salaries	75,930	82,929
Social security costs	9,590	9,927
Other pension costs	6,225	5,489
	91,745	98,345

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

	2022 Number	2021 Number
Underwriting	343	368
Claims	62	65
Administration and finance	217	214
	622	647

Directors' emoluments

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

	2022 $'000	2021 $'000
Aggregate emoluments	5,373	6,024
Pension contributions	6	6
	5,379	6,030

Pension benefits are accruing to one director (2021: one) under the Group's defined contribution pension scheme.

Highest paid director	2022 $'000	2021 $'000
Aggregate emoluments	2,272	2,366
Pension contributions	-	-
	2,272	2,366

9. Auditors' remuneration

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

	2022 $'000	2021 $'000
Fees payable for auditing of the Group and its subsidiaries	1,506	1,211
All audit-related assurance services	198	194
	1,704	1,405

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

10. Other charges

	2022 $'000	2021 $'000
Corporate oversight costs	9,475	7,755
Service awards	4,607	6,932
Amortisation of goodwill (Note 13)	8,578	6,491
Amortisation of intangibles (Note 13)	1,489	4,832
Other costs	-	136
	24,149	26,146

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

11. Other technical income

	2022 $'000	2021 $'000
Credit limit notification services fee income	5,006	5,634
GCube and Qdos fee and commission income	4,548	6,230
HCCII and TME fee income	3,065	4,347
Other technical income	12,619	16,211

Other technical income comprises $5.0m (2021: $5.6m) for credit limit notification services conducted for Credit policyholders of HCCII by HCC Credit Services Limited. GCube and Qdos fee and commission is third party income. HCCII and TME fee income reflects predominantly fees associated with the Credit and Surety business (and to a lesser extent Professional Risks) reflecting non-insurance services offered to their customers.

12. Tax charge on (loss)/profit on ordinary activities

	2022 $'000	2021 $'000
UK Corporation tax at 19.00% (2021:19.00%)		
Current tax on income for the year	18,296	41,588
Tax in respect of prior years	(596)	(1,595)
Current tax for the year	**17,700**	**39,993**
Deferred tax – origination and reversal of timing differences	(11,958)	(512)
Tax charge on (loss)/profit on ordinary activities	5,742	39,481

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK.

The differences are explained below:

	2022 $'000	2021 $'000
(Loss)/profit on ordinary activities before taxation	(9,604)	166,679
Tax (credit)/charge on (loss)/profit on ordinary activities before taxation at standard rate of 19.00% (2021:19.00%)	(1,825)	31,669
Expenses not deductible for tax purposes	2,931	(126)
Attribution of investment income	(1,387)	-
Amortisation of goodwill and intangibles	2,395	2,689
Foreign tax	6,743	3,770
Effect of foreign exchange	(1,671)	(176)
Tax in respect of prior years	(596)	(1,595)
Movement in unrecognised deferred tax asset	(932)	3,324
Other	84	(74)
Tax charge on (loss)/profit on ordinary activities	5,742	39,481

13. Goodwill and other intangible assets

	Goodwill $'000	Other intangible assets $'000	Total $'000
Cost			
At 1 January 2022	95,417	87,633	183,050
Other changes (see below)	10,096	(11,842)	(1,746)
Write-off (see below)	(1,648)	(21,631)	(23,279)
At 31 December 2022	**103,865**	**54,160**	**158,025**
Accumulated amortisation			
At 1 January 2022	21,008	32,867	53,875
Other changes (see below)	1,655	(2,122)	(467)
Charge for the year	6,923	3,611	10,534
Write-off (see below)	(1,648)	(21,631)	(23,279)
At 31 December 2022	**27,938**	**12,725**	**40,663**
Net			
At 31 December 2022	**75,927**	**41,435**	**117,362**

	Goodwill $'000	Other intangible assets $'000	Total $'000
Cost			
At 1 January 2021	93,517	87,787	181,304
Addition	-	1,746	1,746
Other changes (see below)	1,900	(1,900)	-
At 31 December 2021	**95,417**	**87,633**	**183,050**
Accumulated amortisation			
At 1 January 2021	14,517	28,035	42,552
Charge for the year	6,491	4,832	11,323
At 31 December 2021	**21,008**	**32,867**	**53,875**
Net			
At 31 December 2021	**74,409**	**54,766**	**129,175**

Goodwill and intangibles arose from the acquisition in 2020 of GCube amounted to $15.3m (2021: $10.5m) and $23.3m (2021: $28.5m) respectively. Having revised the treatment of deferred tax at acquisition, the value of intangible assets has decreased by $5.2m (2021: $1.9m) and in an increase in the value of goodwill by $4.8m (2021: $1.9m). This also resulted to a decrease in the accumulated amortisation of intangibles by $0.6m (2021: $nil) and an increase in the accumulated amortisation of goodwill of $0.5m (2021: $nil). The carrying values at the end of the year were goodwill of $12.6m (2021: $9.3m) and intangibles of $19.3m (2021: $25.5m).

Goodwill and intangibles arose from the acquisition in 2018 of Qdos Holdings Limited and its subsidiary Qdos Broker and Underwriting Services Limited amounted to $88.6m (2021: $83.3m) and $30.9m (2021: $37.5m), respectively. Having revised the treatment of deferred tax at acquisition, the value of intangible assets has decreased by $6.6m (2021: $nil) and an increase in the value of goodwill by $5.3m. This also resulted to a decrease in the accumulated amortisation of intangibles by $1.5m (2021: $nil) and an increase in the accumulated amortisation of goodwill of $1.2m (2021: $nil). The carrying values at the end of the year were goodwill of $63.3m (2021:$65.1m) and intangibles of $22.1m (2021: $29.2m).

Goodwill of £1.6m and intangibles of £21.6m which arose on the acquisition in 2006 of Manchester Dickson Holdings Limited and its subsidiaries and were fully amortised have been written off in the year.

14. Other financial investments

	Fair value 2022 $'000	Fair value 2021 $'000	Book cost 2022 $'000	Book cost 2021 $'000
Variable yield securities and units in unit trusts	50,846	10,520	50,846	10,520
Debt securities and other fixed-income securities	1,836,066	1,747,396	2,053,595	1,718,958
Other investments	95,988	61,901	76,079	47,880
	1,982,900	**1,819,817**	**2,180,520**	**1,777,358**

Debt securities and other fixed-income securities comprise listed investments. Other investments is an investment in a real estate investment fund. The real estate investment fund is carried at the net asset value of the fund. Changes in the net asset value are included in unrealised gains or losses in the investments.

15. Fair value estimation

The following table presents the Group's financial investments measured at fair value at 31 December 2022 and 31 December 2021 categorised into levels 1, 2 and 3, reflecting the categorization criteria specified in FRS 102 (see note 3 o). No liabilities were measured at fair value at 31 December 2022 or at 31 December 2021.

Financial investments – pricing basis	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2022				
Variable yield securities	-	50,846	-	50,846
Debt securities	-	1,836,066	-	1,836,066
Other investments	-	-	95,988	95,988
Total other financial investments	**-**	**1,886,912**	**95,988**	**1,982,900**

Financial investments – pricing basis	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2021				
Variable yield securities	-	10,520	-	10,520
Debt securities	-	1,747,396	-	1,747,396
Other investments	-	-	61,901	61,901
Total other financial investments	**-**	**1,757,916**	**61,901**	**1,819,817**

16. Other debtors

	2022 $'000	2021 $'000
Deferred tax asset	2,245	
Claims funds	15,811	16,183
Amounts owed by group undertakings	55,806	20,092
Other debtors	8,654	8,374
	82,516	**44,649**

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

17. Tangible assets

	Leasehold improvements $'000	Owner occupied land and buildings $'000	Computer equipment $'000	Fixtures, fittings and office equipment $'000	Total $'000
Book cost					
At 1 January 2022	2,810	5,995	428	4,355	13,588
Additions	14	44	106	533	697
Write-offs	(295)	-	(75)	(363)	(733)
Foreign exchange translation	(6)	-	(17)	(37)	(60)
At 31 December 2022	**2,523**	**6,039**	**442**	**4,488**	**13,492**
Accumulated depreciation					
At 1 January 2022	1,897	1,431	369	2,789	6,486
Charge for the year	98	190	54	218	560
Write-offs	(295)	-	(75)	(363)	(733)
Foreign exchange translation	(6)	-	(17)	(37)	(60)
At 31 December 2022	**1,694**	**1,621**	**331**	**2,607**	**6,253**
Net book value					
31 December 2022	**829**	**4,418**	**111**	**1,881**	**7,239**

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

	Leasehold improvements $'000	Owner occupied land and buildings $'000	Computer equipment $'000	Fixtures, fittings and office equipment $'000	Total $'000
Book cost					
At 1 January 2021	2,631	5,995	428	3,613	12,667
Additions	179	-	-	742	921
At 31 December 2021	**2,810**	**5,995**	**428**	**4,355**	**13,588**
Accumulated depreciation					
At 1 January 2021	1,788	1,249	320	2,633	5,990
Charge for the year	109	182	49	156	496
At 31 December 2021	**1,897**	**1,431**	**369**	**2,789**	**6,486**
Net book value					
31 December 2021	**913**	**4,564**	**59**	**1,566**	**7,102**

18. Called up share capital – Group and HCCII

	2022		2021	
Allotted and fully paid ordinary shares	**Number of shares**	**$'000**	**Number of shares**	**$'000**
Balance brought forward:				
- Ordinary shares of £1 each	96,047,813	163,045	96,047,813	163,045
- Ordinary shares of $1 each	70,197,001	70,197	70,197,001	70,197
Balance carried forward	**166,244,814**	**233,242**	**166,244,814**	**233,242**

The £1 ordinary shares (2021: £1 ordinary shares) are translated to US Dollars at the rates of exchange ruling on the dates the shares were issued.

Dividends paid during the year totalled $115million (2021: $nil). No dividend is recommended for 2022.

19. Other creditors including taxation and social security

	2022 $'000	2021 $'000
Corporation tax	5,663	10,023
Net deferred tax liability	-	11,275
Amounts owed to group undertakings	20,747	16,544
Other creditors	13,839	6,343
	40,249	**44,185**

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

Net deferred tax (asset)/liability	2022 $'000	2021 $'000
At 1 January – net deferred tax liability	11,275	9,683
Changes in accelerated capital allowances	83	51
Intangible asset	(1,865)	(666)
Deferred taxation of release of Equalisation provision	(767)	(2,273)
Technical reserves	(8,103)	(1,197)
Short-term timing differences	(2,379)	403
Losses carried forward	(489)	2,963
Change in UK corporation tax rate	-	2,311
At 31 December – net deferred tax (asset)/liability	**(2,245)**	**11,275**

The net deferred tax (assets)/liability consists of the following amounts:

	2022 $'000	2021 $'000
Accelerated capital allowances	279	196
Intangible assets	9,118	10,983
Technical reserves	(8,285)	(182)
Short-term timing differences	(2,763)	(384)
Deferred taxation for release of equalisation provision	-	767
Losses carried forward	(594)	(105)
Net deferred tax (assets)/liability	**(2,245)**	**11,275**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% from 19%. As the proposal had been enacted at the balance sheet date, its effects are included in these financial statements.

A potential deferred tax asset of $27.5m (2021: $24.1m) in respect of certain unutilised tax losses has not been recognised as there is insufficient evidence that it will be recoverable. This asset would be recovered should sufficient taxable profits be generated in future which would be eligible for relief against the unutilised tax losses.

20. Technical provisions – Group

	Provisions for unearned premiums $'000	Claims outstanding (1) $'000	Deferred acquisition costs (2) $'000	Net technical liabilities $'000
Gross of reinsurance				
At 1 January 2022	707,350	1,712,161	(132,959)	2,286,552
Movement in provision	(2,533)	369,607	(1,271)	365,803
Exchange adjustments	3,384	(89,333)	(1,258)	(87,207)
At 31 December 2022	**708,201**	**1,992,435**	**(135,488)**	**2,565,148**
Reinsurance				
At 1 January 2022	(219,375)	(801,740)	53,844	(967,271)
Movement in provision	6,310	(160,500)	(5,867)	(160,057)
Exchange adjustments	(3,401)	35,701	2,279	34,579
At 31 December 2022	**(216,466)**	**(926,539)**	**50,256**	**(1,092,749)**
Net				
At 31 December 2022	**491,735**	**1,065,896**	**(85,232)**	**1,472,399**

(1) Claims outstanding includes IBNR reserves of $1,124.8m gross of reinsurance and $477.7m reinsurer's share of IBNR reserves (2021: $963.1m gross; $434.8m reinsurer's share).

	Provisions for unearned premiums $'000	Claims outstanding (1) $'000	Deferred acquisition costs (2) $'000	Net technical liabilities $'000
Gross of reinsurance				
At 1 January 2021	558,907	1,408,952	(102,264)	1,865,595
Movement in provision	183,545	356,854	(40,424)	499,975
Exchange adjustments	(35,102)	(53,645)	9,729	(79,018)
At 31 December 2021	**707,350**	**1,712,161**	**(132,959)**	**2,286,552**
Reinsurance				
At 1 January 2021	(164,038)	(625,898)	40,004	(749,932)
Movement in provision	(68,112)	(200,205)	18,271	(250,046)
Exchange adjustments	12,775	24,363	(4,431)	32,707
At 31 December 2021	**(219,375)**	**(801,740)**	**53,844**	**(967,271)**
Net				
At 31 December 2021	**487,975**	**910,421**	**(79,115)**	**1,319,281**

21. Cash flows from operating activities

	2022 $'000	2021 $'000
(Loss)/profit before tax	(9,604)	166,679
Adjustments for:		
Non-cash movements in profit for the year		
Amortisation of goodwill	8,578	6,491
Amortisation of other intangibles	1,489	4,832
Depreciation of tangible fixed assets	560	496
Realised and unrealised investment losses	234,215	36,359
Other non-cash movement including foreign exchange	(3,228)	16
Investment income from participating interests and other financial	(38,440)	(30,741)
Changes in operating assets/liabilities		
Increase in debtors, prepayments and accrued income	(54,402)	(122,382)
Increase in creditors, accruals and deferred income	28,653	74,938
Increase in net technical provisions	159,235	220,473
Increase/(decrease) in deposits with ceding undertakings	9	(1,106)
Non-cash movements in (loss)/profit for the year	**327,065**	**356,055**
Interest received	38,440	30,741
Cash outflows from purchases and sales of financial investments	(397,298)	(338,721)
Net cash (outflow)/inflow from operating activities	**(31,793)**	**48,075**

22. Commitments

a. Capital commitments

As at 31 December 2022, the Group has total non-cancellable commitments of $24.6m (2021: $6.1 m) in relation to acquisition of intangibles.

b. Other commitments

The Group and HCCII have commitments to subscribe into a real estate investment fund vehicle totalling $175m (2021: $175m). At the date of the balance sheet the Group and HCCII had invested $76.1m (2021: $47.9m) (Note 14).

c. Operating lease commitments

The Group leases various offices, as a lessee, under operating lease agreements. The Group is required to give notice for the termination of these agreements. The lease expenditure charged to the consolidated profit and loss account during the year is $4.7m (2021: $5.4m).

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

	2022 $'000	2021 $'000
Not later than 1 year	5,377	6,471
Later than one year and not later than 5 years	13,180	13,376
Later than 5 years	3,164	1,391
	21,721	**21,238**

23. Related party transactions

Parental Guarantee

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

Shared Reinsurance Programme

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

Related party	Nature of Contract	2022 Closing balance $'000	2021 Closing balance $'000
Houston Casualty Co London	Excess of loss and Quota share	26,713	4,698
Syndicate 4141	Excess of loss and Quota share	9,072	29,135
		35,785	**33,833**

Intra-group reinsurance contracts

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

Related party – inward reinsurance	Nature of Contract	2022 Gross premium $'000	2022 Closing balance $'000	2021 Gross premium $'000	2021 Closing balance $'000
Tokio Marine Insurance Singapore	Inwards reinsurance	10,563	-	8,505	(232)
Tokio Marine & Nichido Fire Insurance Co. Ltd.	Inwards reinsurance	11,425	5,541	7,487	3,309
Tokio Marine Compania De Seguros SA de CV	Inwards reinsurance	620	-	-	-
Tokio Marine Kiln Group Limited	Inwards reinsurance	-	86	636	86
IFFCO-Tokio General Insurance Company Limited	Inwards reinsurance	262	-	-	-
Singapore Airlines	Inwards reinsurance	56	3	-	-
Tokio Marine America	Inwards reinsurance	4	-	-	-
		22,930	5,630	16,628	3,163

Related party – outward reinsurance	Nature of Contract	2022 RI premium $'000	2022 Closing balance $'000	2021 RI premium $'000	2021 Closing balance $'000
Tokio Marine & Nichido Fire Insurance Co. Ltd.	Outwards reinsurance	166,061	44,497	200,187	76,736
Lloyd's Syndicate 1880	Outwards reinsurance	1,071	130	-	-
Tokio Marine GRV Re	Outwards reinsurance	8,504	4,466	-	-
Tokio Marine Kiln Insurance Limited	Outwards reinsurance	(336)	(328)	(2,196)	290
Lloyd's Syndicate 510		4,704	1,979	4,681	2,313
Houston Casualty Company		-	14,197	-	4,672
Tokio Marine America		104	-	-	-
		180,108	64,941	202,672	84,011

Agency commission

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

Related party	Nature of Contract	2022 Commission $'000	2022 Closing balance $'000	2021 Commission $'000	2021 Closing balance $'000
HCC Specialty Ltd	Underwriting agency	2,284	455	3,625	(3,917)

Group services administration

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

Related party	Nature of Contract	2022 Expenses incurred $'000	2022 Closing balance $'000	2021 Expenses incurred $'000	2021 Closing balance $'000
HCC Service Company Inc. (UK branch)	Provision of central administrative services	98,475	(12,701)	90,929	(13,776)

Other related party balances

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

Related party	2022 $'000	2021 $'000
HCC Insurance Holdings, Inc	(4)	840
HCC Service Company, Inc.	(2,618)	(2,409)
U.S. Specialty Insurance Co	1,338	40
NameCo (No. 808) Ltd.	4,348	2,737
HCC Reinsurance Company Ltd	-	17
HCC Underwriting Agency Ltd.	-	46
Rattner Mackenzie Limited	(1,756)	-
HCC Re Agency	204	220
Total	**1,512**	**1,491**

Key management compensation

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

24. Ultimate parent company and controlling party

The Group's ultimate parent company and controlling party is Tokio Marine Holdings, Inc. ('TMHD'). TMHD is incorporated in and its head office is located in Tokyo, Japan. Copies of the consolidated financial statements of TMHD can be obtained from its website at http://www.tokiomarinehd.com/en/ir/library/annual_report/.

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

25. Post balance sheet events

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

Company Balance Sheet

As at 31 December 2022

ASSETS	Note	2022 $'000	2021 $'000
Assets			
Investments			
Land and buildings		239	239
Investment in subsidiary undertakings	3	371,777	407,319
Other financial investments	4	1,592,744	1,572,767
		1,964,760	1,980,325
Reinsurers' share of technical provisions			
Provision for unearned premiums	8	112,356	121,001
Claims outstanding	8	411,271	335,123
		523,627	358,9 456,124 33
Debtors			
Debtors arising out of direct insurance operations			
- Policyholders		5,334	44,266
- Intermediaries		176,965	149,620
Debtors arising out of reinsurance operations		185,444	153,631
Other debtors	5	71,952	29,999
		439,695	377,516
Other assets			
Tangible assets	6	5,325	5,065
Deposits from third parties		93,285	43,838
Cash at bank and in hand		59,826	154,296
		158,436	203,199
Prepayments and accrued income			
Accrued interest and rent		11,402	9,257
Deferred acquisition costs	8	111,171	113,782
		122,573	123,039
Total assets		**3,209,091**	**3,140,203**

Company Balance Sheet

As at 31 December 2022

LIABILITIES	Note	2022 $'000	2021 $'000
Capital and reserves			
Called up share capital	18	233,242	233,242
Share premium		19,115	19,115
Revaluation reserve		(37,623)	17,919
Profit and loss account		820,651	914,582
Total shareholders' funds		1,035,385	1,184,858
Technical provisions			
Provision for unearned premiums	8	513,813	525,326
Claims outstanding	8	1,337,505	1,127,158
		1,851,318	1,652,484
Creditors – amounts due within one year			
Creditors arising out of direct insurance operations		16,820	15,394
Creditors arising out of reinsurance operations		132,502	130,579
Other creditors including taxation and social security	7	18,874	41,288
Deposits from third parties		93,284	43,836
		261,480	231,097
Accruals and deferred income			
Accruals		37,904	42,965
Deferred acquisition costs arising out of reinsurance operations	8	23,004	28,799
		60,908	71,764
Total liabilities		**3,209,091**	**3,140,203**

In accordance with the exemption permitted under section 408 of the Companies Act 2006, the Company profit or loss account, and Company statement of other comprehensive income are not presented as part of these financial statements. The Company's profit after taxation for the year was a $21.1m profit (2021: $144.9million profit).

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022

Capital and reserves	Called up share capital $'000	Share premium $'000	Revaluation reserve $'000	Profit and loss account $'000	Total shareholders' equity $'000
At 1 January 2022	233,242	19,115	17,919	914,582	1,184,858
Profit for the financial year	-	-	-	21,069	21,069
Revaluation of subsidiary undertakings	-	-	(55,542)	-	(55,542)
Dividends Paid	-	-	-	(115,000)	(115,000)
At 31 December 2021	233,242	19,115	(37,623)	820,651	1,035,385

Capital and reserves	Called up share capital $'000	Share premium $'000	Revaluation reserve $'000	Profit and loss account $'000	Total shareholders' equity $'000
At 1 January 2021	233,242	19,115	20,597	769,682	1,042,636
Profit for the financial year	-	-	-	144,900	144,900
Revaluation of subsidiary undertakings	-	-	(2,678)	-	(2,678)
At 31 December 2021	233,242	19,115	17,919	914,582	1,184,858

Notes to the Company Financial Statements

1. Summary of significant accounting policies

The accounting policies that are used in preparation of these Company financial statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of the Group as set out in those financial statements. This includes the Group policies on critical accounting judgements and key sources of estimation uncertainty.

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

A. Basis of Preparation

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

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

B. Exemptions for qualifying entities under FRS 102

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

i. From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;

ii. Related party disclosures, and

iii. From disclosing key management personnel compensation, as required by FRS 102 paragraph 33.7.

C. Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated in the balance sheet at fair value and categorised into level 3 , reflecting the categorisation criteria specified in FRS 102 (see note 3o) with changes in fair value recognised through the statement of other comprehensive income and revaluation reserve, or, if an impairment expense, through the profit and loss account.

2. Risk management

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

2.1 Insurance risk

Reserving risk

Gross and net development triangles of the estimate of ultimate claim cost for claims notified in a given year are presented below for HCCII. Data has been translated using 31 December 2022 foreign exchange rates throughout the triangle.

	Accident year									
Loss development triangles – GROSS Ultimate claims and cumulative payments	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**Total $'000**
End of reporting year	157,856	182,209	252,365	248,390	271,612	339,596	349,334	391,502	525,342	
- one year later	164,255	213,553	254,274	246,917	276,122	396,536	398,976	385,468		
- two years later	138,048	233,295	247,925	244,392	276,146	407,153	401,565			
- three years later	138,028	223,440	285,759	270,916	278,949	378,902				
- four years later	136,169	229,771	287,639	242,697	285,872					
- five years later	140,650	209,401	305,832	256,258						
- six years later	143,494	214,801	311,778							
- seven years later	143,779	224,446								
- eight years later	150,359									
Current estimate of ultimate claims	150,359	224,446	311,778	256,258	285,872	378,902	401,565	385,468	525,342	
Cumulative payments to date	135,365	194,113	298,343	239,979	202,810	233,819	177,762	84,460	59,096	
Liability recognised in the balance sheet	14,994	30,333	13,435	16,279	83,062	145,083	223,803	301,008	466,246	1,294,243
Provision in respect of previous years										43,262
Total provision included in the balance sheet										**1,337,505**

	Accident year									
Loss development triangles – NET Ultimate claims and cumulative payments	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**Total $'000**
End of reporting year	119,828	142,119	183,492	190,193	206,961	240,338	219,045	287,630	412,972	
- one year later	119,066	155,539	181,954	199,662	205,543	247,495	245,626	253,224		
- two years later	98,411	153,205	173,764	183,741	211,483	221,713	251,508			
- three years later	102,427	147,824	194,901	201,567	215,036	187,439				
- four years later	103,002	145,701	191,861	177,082	218,239					
- five years later	103,123	136,496	204,784	194,608						
- six years later	103,970	146,906	215,988							
- seven years later	103,971	146,134								
- eight years later	107,590									
Current estimate of ultimate claims	107,590	146,134	215,988	194,608	218,239	187,439	251,508	253,224	412,972	
Cumulative payments to date	96,372	129,565	196,946	182,730	150,763	137,926	110,300	54,806	53,043	
Liability recognised in the balance sheet	11,218	16,569	19,042	11,878	67,476	49,513	141,208	198,418	359,929	875,251
Provision in respect of previous years										50,983
Total provision included in the balance sheet										**926,234**

2.2 Market risk

i. Foreign exchange risk

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

FX risk exposure 31 December 2022	**AUD $ $'000**	**CAD $ $'000**	**CHF Fr $'000**	**EUR € $'000**	**GBP £ $'000**	**Subtotal $'000**	**USD $ $'000**	**Total $'000**
Total assets	97,788	9,174	39,440	234,325	949,530	1,330,257	1,878,834	3,209,091
Total liabilities	(117,128)	(9,814)	(30,515)	(271,911)	(947,398)	(1,376,766)	(796,940)	(2,173,706)
Net assets	**(19,340)**	**(640)**	**8,925**	**(37,586)**	**2,132**	**(46,509)**	**1,081,894**	**1,035,385**

FX risk exposure 31 December 2021	**AUD $ $'000**	**CAD $ $'000**	**CHF Fr $'000**	**EUR € $'000**	**GBP £ $'000**	**Subtotal $'000**	**USD $ $'000**	**Total $'000**
Total assets	103,357	12,815	45,896	189,820	814,654	1,166,542	1,973,661	3,140,203
Total liabilities	(119,079)	(11,376)	(40,365)	(247,106)	(819,230)	(1,237,156)	(718,189)	(1,955,345)
Net assets	**(15,722)**	**1,439**	**5,531**	**(57,286)**	**(4,576)**	**(70,614)**	**1,255,472**	**1,184,858**

Sensitivity analysis

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

FX risk exposure – sensitivity Change in exchange rate of Canadian Dollar, Australian Dollar, Swiss Franc, Euro and Sterling, relative to US Dollar	Impact on profit after tax 2022 $'000	 2021 $'000	Impact on net assets 2022 $'000	 2021 $'000
US Dollar weakens 30% against other currencies	6,805	7,830	(13,953)	(21,184)
US Dollar weakens 20% against other currencies	4,536	5,220	(9,302)	(14,123)
US Dollar weakens 10% against other currencies	2,268	2,610	(4,651)	(7,061)
US Dollar strengthens 10% against other currencies	(2,268)	(2,610)	4,651	7,061
US Dollar strengthens 20% against other currencies	(4,536)	(5,220)	9,302	14,123
US Dollar strengthens 30% against other currencies	(6,805)	(7,830)	13,953	21,184

ii. Interest rate risk

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

Investments and cash – duration 31 December 2022	<1 yr $'000	1–2 yrs $'000	2–3 yrs $'000	3–4 yrs $'000	4–5 yrs $'000	5–10 yrs $'000	>10 yrs $'000	Non-interest bearing $'000	Total $'000
Variable yield securities	25,534	-	-	-	-	-	-	-	25,534
Debt securities	95,079	225,153	171,568	339,063	161,991	103,975	374,393	-	1,471,222
Other investments	-	-	-	-	-	-	-	95,988	95,988
Total other financial investments	**120,613**	**225,153**	**171,568**	**339,063**	**161,991**	**103,975**	**374,393**	**95,988**	**1,592,744**
Deposits from third parties	93,285	-	-	-	-	-	-		93,285
Cash at bank	59,826	-	-	-	-	-	-		59,826
Total	**273,724**	**225,153**	**171,568**	**339,063**	**161,991**	**103,975**	**374,393**	**95,988**	**1,745,855**

Investments and cash – duration 31 December 2021	<1 yr $'000	1–2 yrs $'000	2–3 yrs $'000	3–4 yrs $'000	4–5 yrs $'000	5–10 yrs $'000	>10 yrs $'000	Non-interest bearing $'000	Total $'000
Variable yield securities	8,610	-	-	-	-	-	-	-	8,610
Debt securities	124,304	128,230	233,984	273,835	192,714	400,489	148,700	-	1,502,256
Other investments	-	-	-	-	-	-	-	61,901	61,901
Total other financial investments	**132,914**	**128,230**	**233,984**	**273,835**	**192,714**	**400,489**	**148,700**	**61,901**	**1,572,767**
Deposits from third parties	43,838	-	-	-	-	-	-	-	43,838
Cash at bank	154,296	-	-	-	-	-	-	-	154,296
Total	**331,048**	**128,230**	**233,984**	**273,835**	**192,714**	**400,489**	**148,700**	**61,901**	**1,770,901**

Sensitivity analysis

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

Investments and cash – interest rate sensitivity Shift in yield (basis points)	Impact on profit after tax 2022 $'000	 2021 $'000	Impact on net assets 2022 $'000	 2021 $'000
100 basis point increase	(62,934)	(73,999)	(62,934)	(73,999)
50 basis point increase	(32,044)	(37,208)	(32,044)	(37,208)
50 basis point decrease	33,183	35,576	33,183	35,576
100 basis point decrease	67,468	66,405	67,468	66,405

2.3 Credit risk

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

Investments, reinsurance assets and cash – credit ratings 31 December 2022	AAA $'000	AA $'000	A $'000	BBB $'000	BB $'000	Not rated $'000	Total $'000
Variable yield securities	25,534	-	-	-	-	-	25,534
Debt securities	138,015	618,190	439,178	274,595	1,244	-	1,471,222
Other investments	-	-	-	-	-	95,988	95,988
Total other financial investments	**163,549**	**618,190**	**439,178**	**274,595**	**1,244**	**95,988**	**1,592,744**
Reinsurers' share of technical provisions	-	198,573	319,108	-	-	5,946	523,627
Debtors arising out of reinsurance operations	-	66,776	115,917	-	-	2,751	185,444
Deposits from third parties	-	-	93,284	-	-	-	93,284
Cash at bank	59,826	-	-	-	-	-	59,826
Total	**223,375**	**883,539**	**967,487**	**274,595**	**1,244**	**104,685**	**2,454,925**

Investments, reinsurance assets and cash – credit ratings 31 December 2021	AAA $'000	AA $'000	A $'000	BBB $'000	BB $'000	Not rated $'000	Total $'000
Variable yield securities	8,610	-	-	-	-	-	8,610
Debt securities	107,224	719,739	409,213	266,080	-	-	1,502,256
Other investments	-	-	-	-	-	61,901	61,901
Total other financial investments	**115,834**	**719,739**	**409,213**	**266,080**	**-**	**61,901**	**1,572,767**
Reinsurers' share of technical provisions	-	208,827	234,671	7,776	4,850	-	456,124
Debtors arising out of reinsurance operations	-	79,995	69,251	4,077	308	-	153,631
Deposits from third parties	-	-	43,836	-	-	-	43,836
Cash at bank	154,296	-	-	-	-	-	154,296
Total	**270,130**	**1,008,561**	**756,971**	**277,933**	**5,158**	**61,901**	**2,380,654**

HCCII's largest counterparty exposure is $151.9m of US Government securities (2021: $234.9m).

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

Financial assets – ageing 31 December 2022	Not yet due $'000	Up to 3 months past due $'000	3 to 6 months past due $'000	7 to 12 months past due $'000	> 1 year past due $'000	Total $'000
Reinsurers share of claims outstanding	411,271	-	-	-	-	411,271
Insurance debtors	159,622	16,248	1,706	3,305	1,418	182,299
Reinsurance debtors	168,226	9,319	3,061	3,707	1,131	185,444
Other debtors	71,952	-	-	-	-	71,952
Total	**811,071**	**25,567**	**4,767**	**7,012**	**2,549**	**850,966**

Financial assets – ageing 31 December 2021	Not yet due $'000	Up to 3 months past due $'000	3 to 6 months past due $'000	7 to 12 months past due $'000	> 1 year past due $'000	Total $'000
Reinsurers share of claims outstanding	335,123	-	-	-	-	335,123
Insurance debtors	171,640	13,500	3,679	2,805	2,262	193,886
Reinsurance debtors	134,073	9,197	7,117	2,318	926	153,631
Other debtors	29,999	-	-	-	-	29,999
Total	**670,835**	**22,697**	**10,796**	**5,123**	**3,188**	**712,639**

Fair value estimation

The following table presents the HCCII's financial investments measured at fair value at 31 December 2022 and 31 December 2021 categorised into levels 1, 2 and 3, reflecting the categorisation criteria specified in FRS 102 (see note 3o). No liabilities were measured at fair value at 31 December 2022 or 31 December 2021.

Financial investments – pricing basis	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2022				
Variable yield securities	-	25,534	-	25,534
Debt securities	-	1,471,222	-	1,471,222
Other investments	-	-	95,988	95,988
Total other financial investments	**-**	**1,496,756**	**95,988**	**1,592,744**

Financial investments – pricing basis	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2021				
Variable yield securities	-	8,610	-	8,610
Debt securities	-	1,502,256	-	1,502,256
Other investments	-	-	61,901	61,901
Total other financial investments	**-**	**1,510,866**	**61,901**	**1,572,767**

2.4 Liquidity risk

The following table is an analysis of the estimated future net contractual cash flows based on all the liabilities held at 31 December 2022 and 2021:

Financial liabilities – projected cash flows 31 December 2022	Within 1yr $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total $'000
Gross claims outstanding	426,572	462,660	222,639	225,634	1,337,505
Creditors from direct insurance operations	16,820	-	-	-	16,820
Creditors from reinsurance operations	132,502	-	-	-	132,502
Other creditors	18,874	-	-	-	18,874
Total	**594,768**	**462,660**	**222,639**	**225,634**	**1,505,701**

Financial liabilities – projected cash flows 31 December 2021	Within 1yr $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total $'000
Gross claims outstanding	365,665	386,077	185,272	190,144	1,127,158
Creditors from direct insurance operations	15,394	-	-	-	15,394
Creditors from reinsurance operations	130,579	-	-	-	130,579
Other creditors	41,288	-	-	-	41,288
Total	**552,926**	**386,077**	**185,272**	**190,144**	**1,314,419**

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

Investments and cash – maturity 31 December 2022	Within 1yr $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	N/A $'000	Total $'000
Variable yield securities	25,534	-	-	-	-	25,534
Debt securities	83,188	378,152	248,289	761,593	-	1,471,222
Other investments	-	-	-	-	95,988	95,988
Total other financial investments	**108,722**	**378,152**	**248,289**	**761,593**	**95,988**	**1,592,744**
Cash at bank	59,826	-	-	-	-	59,826
Total	**168,548**	**378,152**	**248,289**	**761,593**	**95,988**	**1,652,570**

Investments and cash – maturity 31 December 2021	Within 1yr $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	N/A $'000	Total $'000
Variable yield securities	8,610	-	-	-	-	8,610
Debt securities	92,565	262,500	217,226	929,965	-	1,502,256
Other investments	-	-	-	-	61,901	61,901
Total other financial investments	**101,175**	**262,500**	**217226**	**929,965**	**61,901**	**1,572,767**
Cash at bank	154,296	-	-	-	-	154,296
Total	**255,471**	**262,500**	**217226**	**929,965**	**61,901**	**1,727,063**

3. Investment in subsidiary undertakings

Set out below are HCCII's subsidiaries, as at 31 December 2021, with details of the percentages of nominal value and voting Set out below are HCCII's subsidiaries, as at 31 December 2022, with details of the percentages of nominal value and voting rights held by HCCII. The movement in the revaluation of subsidiary undertakings is summarised below:

	2022 $'000	2021 $'000
At 1 January	407,319	360,002
Investment in subsidiary undertaking	20,000	50,000
Revaluation of subsidiary undertakings	(43,305)	(1,542)
Foreign exchange impact on translation to closing rate	(12,237)	(1,141)
At 31 December	**371,777**	**407,319**

HCCII invested an additional $20m of share capital into Tokio Marine Europe in 2022 (2021: $50m).

The directors believe that the carrying value of HCCII's investment in subsidiary undertakings is supported by the underlying net assets. Investment in subsidiary undertakings, as listed below, comprises its equity holdings at fair value.

Name	Address of the registered office	Principal activity	Class of shares	Effective %
HCCI Credit Services Limited	The Grange, Rearsby, Leicester, LE7 4FY, UK	Information services provider	Ordinary	100%
Tokio Marine Europe S.A. (incorporated in Luxembourg)	26, Avenue de la Liberté L-1930, Luxembourg	Insurance company	Ordinary	100%
Qdos Broker and Underwriting Services Limited	The Grange, Rearsby, Leicester, England, LE7 4FY	Insurance intermediary	Ordinary	100%
Qdos Holdings Limited	The Grange, Rearsby, Leicester, England, LE7 4FY	Holding company	Ordinary	100%
GCube Underwriting Limited	20 Fenchurch Street, London, EC3M 3BY	Managing General Agency	Ordinary	100%
Renewable Energy Loss Adjusters Limited	70 Gracechurch Street, London, EC3V 0HR	Loss adjusters	Ordinary	100%
HCC Diversificación y Soluciones S.L. (incorporated in Spain)	13, Torre Diagonal Mar B1, Carrer de Josep Pla, 2, 08019 Barcelona, Spain	Administration services	Ordinary	100%

4. Other financial investments

	Fair value		Book cost	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Variable yield securities and units in unit trusts	25,534	8,610	25,534	8,610
Debt securities and other fixed-income securities	1,471,222	1,502,256	1,659,787	1,477,239
Other investments	95,988	61,901	76,078	47,880
	1,592,744	**1,572,767**	**1,761,399**	**1,533,729**

Debt securities and other fixed-income securities comprise listed investments. Other investments is an investment in a real estate investment fund. The real estate investment fund is carried at the net asset value of the fund. Changes in the net asset value are included in unrealised gains or losses in the investments.

5. Other debtors

	2022 $'000	2021 $'000
Deferred tax asset	2,346	-
Claims funds	6,887	3,633
Amounts owed by group undertakings	62,575	26,332
Other debtors	144	34
	71,952	29,999

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

6. Tangible assets

	Leasehold improvements $'000	Owner occupied land and buildings $'000	Fixtures, fittings and office equipment $'000	Total $'000
Book cost				
At 1 January 2022	1,466	5,836	2,383	9,685
Additions	-	44	464	508
At 31 December 2022	**1,466**	**5,880**	**2,847**	**10,193**
Accumulated depreciation				
At 1 January 2022	1,466	1,407	1,747	4,620
Charge for the year	-	170	78	248
At 31 December 2022	**1,466**	**1,577**	**1,825**	**4,868**
Net book value				
31 December 2022	-	**4,303**	**1,022**	**5,325**

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

	Leasehold improvements $'000	Owner occupied land and buildings $'000	Fixtures, fittings and office equipment $'000	Total $'000
Book cost				
At 1 January 2021	1,466	5,836	1,765	9,067
Disposals	-	-	618	618
At 31 December 2021	**1,466**	**5,836**	**2,383**	**9,685**
Accumulated depreciation				
At 1 January 2021	1,466	1,240	1,720	4,426
Charge for the year	-	167	27	194
At 31 December 2021	**1,466**	**1,407**	**1,747**	**4,620**
Net book value				
31 December 2021	-	**4,429**	**636**	**5,065**

7. Other creditors including taxation and social security

	2022 $'000	2021 $'000
Corporation tax	2,777	14,372
Deferred tax liability	-	726
Amounts owed by group companies	13,714	25,991
Other creditors	2,383	199
	18,874	41,288

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

Net deferred tax (asset)/liability	2022 $'000	2021 $'000
At 1 January - deferred tax liability	726	4,402
Changes in accelerated capital allowances	101	398
Deferred taxation of release of Equalisation provision	-	(3,046)
Technical reserves	(1,078)	(85)
Short-term timing differences	(2,095)	(972)
Losses carried forward	-	300
Change in UK corporation tax rate	-	(271)
At 31 December – deferred tax (asset)/liability	(2,346)	726

The net deferred tax (asset)/liability consists of the following amounts:

	2022 $'000	2021 $'000
Accelerated capital allowances	758	657
Technical reserves	(226)	852
Short-term timing differences	(2,878)	(783)
Deferred tax (asset)/liability	(2,346)	726

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% from 19%, and its effects are included in these financial statements.

8. Technical provisions – Company

	Provisions for unearned premiums $'000	Claims outstanding (1) $'000	Deferred acquisition costs $'000	Net technical liabilities $'000
Gross of reinsurance				
At 1 January 2022	525,326	1,127,158	(113,782)	1,538,702
Movement in provision	(7,892)	273,175	1,377	266,660
Exchange adjustments	(3,621)	(62,828)	1,234	(65,215)
At 31 December 2022	**513,813**	**1,337,505**	**(111,171)**	**1,740,147**
Reinsurance				
At 1 January 2022	(121,001)	(335,123)	28,799	(427,325)
Movement in provision	6,749	(89,557)	(5,703)	(88,511)
Exchange adjustments	1,896	13,409	(92)	15,213
At 31 December 2022	**(112,356)**	**(411,271)**	**23,004**	**(500,623)**
Net				
At 31 December 2022	**401,457**	**926,234**	**(88,167)**	**1,239,524**

(1) Claims outstanding includes claims incurred but not reported ('IBNR') reserves of $810.9m gross of reinsurance and $210.5m reinsurer's share of IBNR reserves (2021: $650.8m gross; $165.3m reinsurer's share).

	Provisions for unearned premiums $'000	Claims outstanding (1) $'000	Deferred acquisition costs $'000	Net technical liabilities $'000
Gross of reinsurance				
At 1 January 2021	409,043	954,859	(87,956)	1,275,946
Movement in provision	136,155	194,063	(29,951)	300,267
Exchange adjustments	(19,872)	(21,764)	4,125	(37,511)
At 31 December 2021	**525,326**	**1,127,158**	**(113,782)**	**1,538,702**
Reinsurance				
At 1 January 2021	(84,802)	(274,131)	18,724	(340,209)
Movement in provision	(39,540)	(61,294)	10,951	(89,883)
Exchange adjustments	3,341	302	(876)	2,767
At 31 December 2021	**(121,001)**	**(335,123)**	**28,799**	**(427,325)**
Net				
At 31 December 2021	**404,325**	**792,035**	**(84,983)**	**1,111,377**

9. Tax charge on profit on ordinary activities

	2022 $'000	2021 $'000
UK Corporation tax at 19.00% (2021:19.00%)		
Current tax on income for the year	7,666	38,325
Tax in respect of prior years	(1,327)	(384)
Current tax for the year	**6,339**	**37,941**
Deferred tax - origination and reversal of timing differences	(3,236)	(3,644)
Tax charge on profit on ordinary activities	**3,103**	**34,297**

The tax assessed for the year is lower (2021: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2022 $'000	2021 $'000
Profit on ordinary activities before taxation	**24,172**	**179,197**
Tax charge on profit on ordinary activities before taxation at standard rate of 19.00% (2021:19.00%)	4,593	34,047
Expenses not deductible for tax purposes	1,227	52
Amortisation of goodwill and intangibles	-	294
Foreign tax	248	304
Effect of foreign exchange	(1,726)	(181)
Tax in respect of prior years	(1,327)	(384)
Movement in unrecognised deferred tax asset	88	167
Other	-	(2)
Tax charge on profit on ordinary activities	**3,103**	**34,297**

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