POOL Re
REINSURING TERRORISM RISK

Pool Reinsurance
Annual Report

2023–2024

CP 1136

Pool Reinsurance Company Limited Annual Report and Accounts 2023/24

Presented to Parliament by the Economic Secretary to the Treasury by Command of His Majesty.

July 2024

CP 1136

This publication is available at www.gov.uk/official-documents.

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ISBN 978-1-5286-5125-7

E number: E03175202

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

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COMPANY OVERVIEW

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ABOUT US

Operating since 1993, we are Great Britain's largest terrorism reinsurer, trusted by over 140 insurers, and globally recognised as the leading experts in terrorism risk financing. Our mission is to provide financial protection from the impact of terrorism, and in so doing, to improve Great Britain's resilience if the worst should happen.

We offer commercial property reinsurance cover for losses caused by terrorism on an All Risks basis, including chemical, biological, radiological and nuclear (CBRN), damage caused by remote digital interference and non-damage business interruption.

A a vital component of Britain's insurance landscape, Pool Re was established in 1993 as a public-private response to the market failure in terrorism insurance caused by the Provisional IRA's mainland bombing campaign.

For the following three decades, backed by HM Treasury, we have enabled and leveraged the private (re)insurance sector to underpin Great Britain's economic resilience to terrorism.

Trusted by the insurance industry, we work in partnership with the Government to serve Britain's terrorism property insurance market. We have paid claims of £634m in relation to 13 terrorist events. However, we have never called on the Government's funding guarantee, demonstrating the effectiveness of our scheme in insulating the taxpayer from financial losses.

OUR PURPOSE

Our purpose is to ensure that every business in Great Britain can access affordable and comprehensive terrorism insurance. In doing so, we help foster confidence and resilience in the economy; safeguard society and livelihoods from the economic consequences of terrorism; and due to the unique way in which our scheme is organised help to insulate the taxpayer from the financial impact of a terrorist attack.

Our team has worked hard to transform Pool Re from a simple risk-transfer mechanism into a dynamic reinsurer. Through our consulting arm (Pool Re Solutions), delivers market-leading terrorism research, analysis, thought leadership and risk management information so that our Member insurers can better understand terrorism risk.

We have firmly established ourselves as critical enablers of the financial and governmental infrastructure that supports Britain's terrorism insurance market.

In 2024, one of our priorities is to implement the modernisation of our reinsurance scheme, in partnership with our Members, so that we can continue to adapt to market changes, increase the take-up of terrorism cover in the country and return risk to the insurance market.

We will continue to work to enhance the country's resilience against terrorism and provide a platform for national security and prosperity.

POOL RE AT A GLANCE

Terrorism Insurance

£2.2tn

of property and business interruption insured by Pool Re.

Member Insurers

£414m

paid to Members as dividends between 2016 and 2023.

£634m

has been paid out in respect of 13 certified terrorism events since Pool Re's establishment in 1993.

142 Members

of Pool Re represent the vast majority of insurers in the Great British commercial property market.

Pool Re

£7bn

fund has been built up by Pool Re to meet potential claims.

£2.4bn

of retrocession purchased by Pool Re from private sector reinsurers.

£100m

raised from external investors through the placement of an insurance-linked security.

THE POOL RE SCHEME

Relationship with HM Treasury

Pool Re is an Arm's Length Body of HM Treasury, with our relationship underpinned by a Retrocession Agreement. This details the scheme's operations and grants certain rights to HM Treasury. The scheme is reviewed every five years to ensure it is still functioning in an optimal fashion. Changes can be made to the scheme during these reviews.

The scope of our activities is directed by the Reinsurance (Acts of Terrorism) Act 1993. HM Treasury retains specific consent rights designed to ensure that nothing occurs outside the intended scope of its guarantee.

HM Treasury's rights include the need for its prior consent to certain commercial arrangements and to changes in scheme documentation and the Articles of Association, both of which govern the operation of the Pool Re scheme.

Our activities are funded by premiums paid by Member insurers. Profit is not our primary objective. Any surplus is invested across a range of asset classes and other financial instruments, such as commercial retrocession and insurance-linked securities, in order to meet future claims.

The Reinsurance Scheme

- **Cover:** Pool Re offers commercial property reinsurance cover for losses caused by terrorism on an All Risks basis, including chemical, biological, radiological and nuclear (CBRN), as well as damage caused by remote digital interference and non-damage business interruption. This applies to properties in England, Scotland and Wales. The scheme does not cover Northern Ireland, the Isle of Man or the Channel Islands.
- **Back-to-back with property cover:** Terrorism cover can only be written in conjunction with a commercial property policy, so Pool Re cover is back-to-back with the property policy. This means the definitions, exclusions and triggers are aligned, which facilitates seamless cover between the property and terrorism policies. All claims, whether property or terrorism, are handled by the underlying property insurer who is a Member of the scheme.
- **Membership:** Any insurer authorised to insure commercial property in Great Britain is eligible to apply for Membership, regardless of their domicile. Most insurers operating in the Great British commercial property market are Pool Re Members.
- **Government certification:** There is an agreed process for an event to be certified by HM Treasury as an act of terrorism.

The key strengths of the scheme

1 Breadth of cover

Terrorism cover offered to Pool Re Members is effectively All-Risks. There is a war exclusion, but cyber terrorism resulting in physical damage is included. This scope of cover, which includes chemical, biological, radiological and nuclear (CBRN), also includes non-damage business interruption.

2 Guaranteed acceptance

The Pool Re Membership is open to any UK authorised insurer. Where a Member insurer provides property insurance, they must offer terrorism cover upon request. Cover and terms are not constrained by geographical accumulation or risk profile. Our mission is to ensure that every business in Great Britain can access affordable and comprehensive terrorism insurance.

3 Unique capacity

Pool Re is backed by an unlimited guarantee from HM Treasury. This means that a Member of the scheme can provide cover to all or any of their eligible policyholders who wish to buy terrorism insurance. Importantly, this cover would continue to be available even after a catastrophic terrorism event.

4 Solvency

Pool Re Members are guaranteed solvency for any legitimate claims arising from a certified act of terrorism and are not required to hold the vast capital reserves that Solvency II regulation would require in Pool Re's absence.

5 Consultancy service

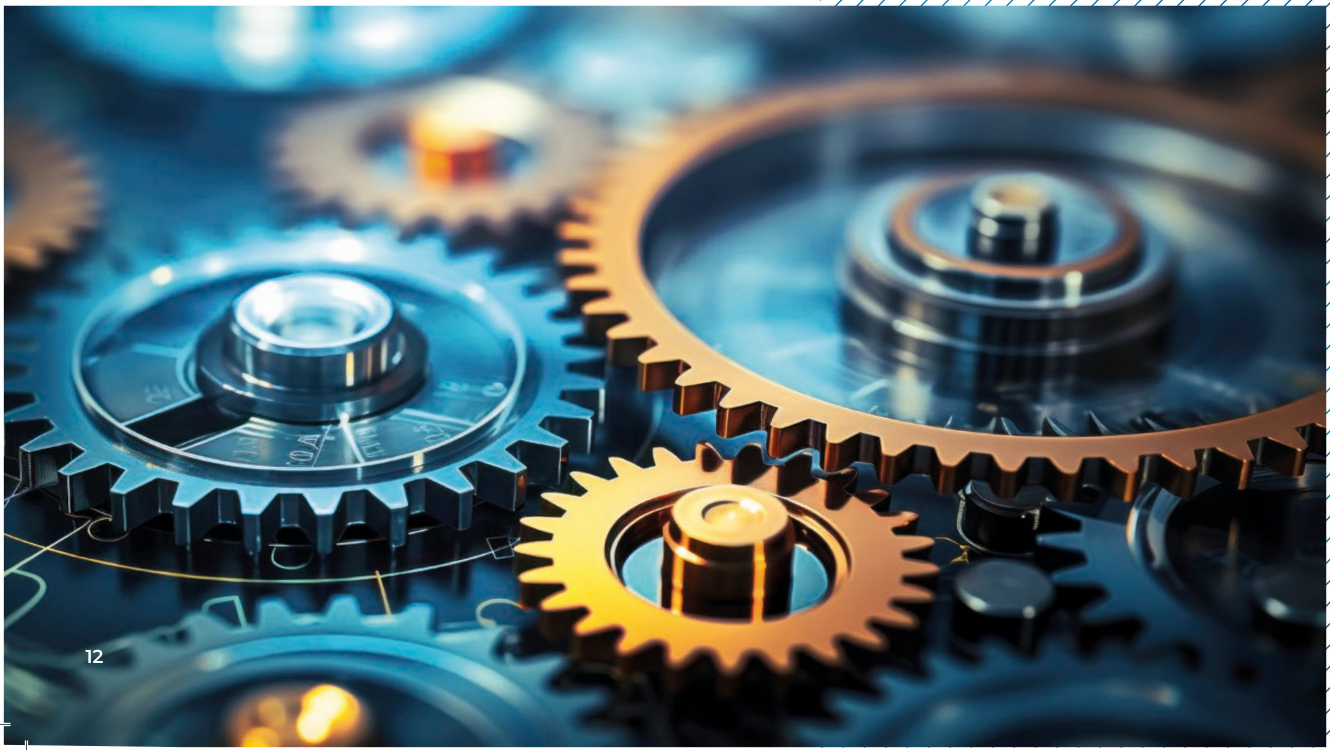
We provide Members and policyholders with bespoke terrorism risk management advice and terrorism threat analysis. Our specialist team has extensive knowledge at hand to support businesses in understanding the threat and explore how to mitigate it.

How does the Government guarantee work?

In the event of claims resulting from an act of terrorism as certified by HM Treasury, Members must first pay losses up to a predetermined threshold (retention).

Only when losses have exceeded that threshold, can Members claim upon Pool Re's reserves. We would only call upon the guarantee from Government if these reserves, and the Company's commercial reinsurances, are exhausted. This scenario has yet to occur in our history.

Our Retrocession Agreement with HM Treasury details how Government will step in to pay claims to their full extent if our funds prove insufficient. The taxpayer has, to date, benefitted from the arrangement because we pay a premium to HM Treasury for its guaranteed support, along with Corporation Tax on profits generated from our investment fund.



Scheme resilience

The resilience of the scheme as at 31 March 2024 is shown below.

HM Treasury funding	
Premium paid to HM Treasury, held to the credit of Pool Re	£2.0bn
Pool Re investment fund	£6.6bn
Commercial retrocession & insurance-linked security	£2.5bn
Pool Re investment fund	£0.4bn
Per event Member retention	£0.275bn

Since its establishment in 1993, Pool Re has paid out a total of £634m for 13 certified terrorism events, without recourse to Government or the taxpayer. The resilience of the scheme as at 31 March 2024 is shown above. In the event of a certified act of terrorism, initial losses will be covered by Member retentions; where these exceed retention thresholds, the insurer can claim upon Pool Re's reserves.

Since its inception, Pool Re has built an investment fund valued at £7.0bn. A further £2.4bn of protection is provided under a commercial retrocession programme, attaching above the first £0.4bn of the investment fund, with an additional £0.1bn protection provided by the issuance of an Insurance-Linked Security sitting within the first layer of the retrocession programme.

Only in the event that Pool Re's resources are exhausted will the company call upon funding from Government. This guaranteed funding assures Pool Re's financial solvency and its ability to meet claims obligations under its agreements with Members.

TRANSFORMING TREATY

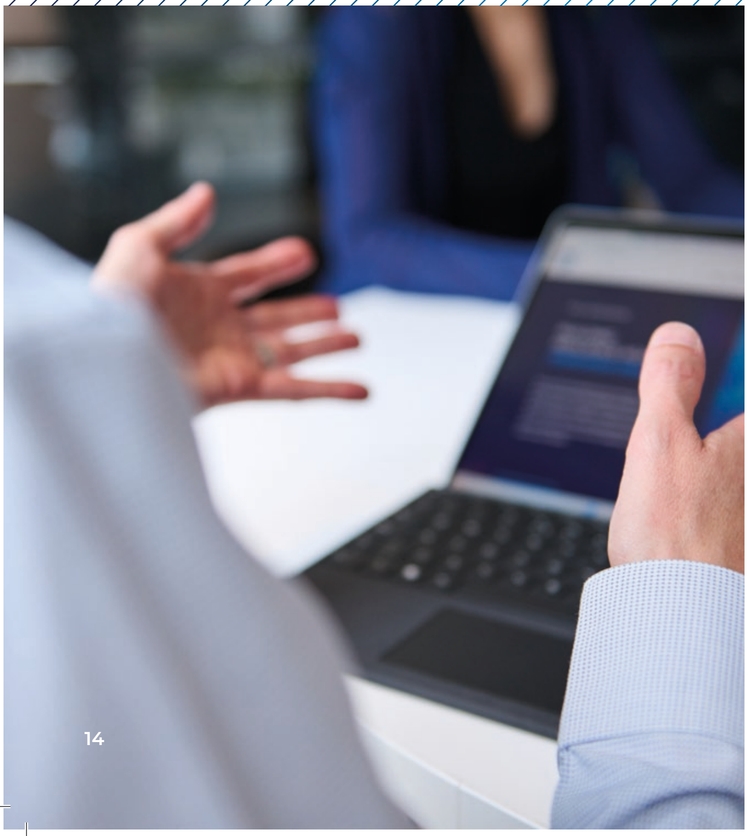
Modernising the Pool Re scheme through transforming treaty reinsurance arrangements with Members was a key part of the Scope of Works 2022-2026 set out and agreed by Pool Re and HM Treasury and approved by Members on 18 March 2022.

It will enable Pool Re to deliver on our promise to HM Treasury of proactively finding ways of returning terrorism risk to the market as well as helping to create the conditions necessary for our Members to achieve greater penetration of terrorism risk, particularly among SMEs.

HM Treasury considers these changes to be a condition of the unlimited guarantee.

The transformation has been informed by Members' detailed responses to the comprehensive Member Consultation undertaken by Pool Re in 2022 and Members' subsequent input and feedback throughout 2023 and the first quarter of 2024.

In November 2023, HM Treasury expressed its support in principle for the changes, subject to Member approval, which was obtained at a General Meeting on 22 March 2024 when over 70% of our Members voted (representing 97% of the scheme by premium ceded to the pool). Of the votes cast, 97% were in favour.



What will remain the same?

The fundamental principles of the Scheme remain unchanged.

- **Breadth of cover:** There will be no change to the scope of the coverage provided by the Scheme – the same losses that currently fall for cover under the Scheme will fall for cover under the revised Scheme.
- **Unique capacity:** The Government-backed reinsurance treaty will remain, providing Members with unlimited commercial property and business interruption terrorism coverage for losses incurred as a result of an Act of Terrorism, as certified by HM Treasury.
- **Guaranteed acceptance:** Membership of the Scheme will remain open to all insurance companies, and Lloyd's Managing Agents acting on behalf of a Syndicate, authorised to write commercial property or business interruption terrorism insurance coverage in the Great Britain.
- **Solvency:** Pool Re Members are guaranteed solvency for any legitimate claims arising from a certified Act of Terrorism, and are not required to hold the vast capital reserves that Solvency II regulation would require in Pool Re's absence, which would particularly be the case for chemical, biological, radiological and nuclear (CBRN) cover.
- **Definition of Terrorism:** An "Act of Terrorism" will remain as defined in the Reinsurance (Acts of Terrorism) Act 1993 and subject to certification by HM Treasury.

The protections against adverse selection for Pool Re, HM Treasury and ultimately the taxpayer will remain as in the current Scheme. These rules are:

- **the "cede all business" rule**, which requires Members to ensure that all entities and divisions within their organisation or group cede all business to Pool Re that is eligible for cession under the Scheme;
- **the "all or nothing" rule**, which requires Members to ensure that their policyholders who purchase terrorism cover do so in respect of all property for which they purchase general cover; and
- **the "general cover" rule**, which requires that Members who sell terrorism insurance to policyholders write it on the same terms and conditions as the general cover policy to which the terrorism attaches and not give terrorism within the Scheme for which it does not offer general cover.

Whilst there will be no changes to the fundamental principles of the Scheme, it is being updated and modernised to provide Members with more flexibility to underwrite terrorism commercial property damage/business interruption risks in alignment with their strategic priorities and risk appetites.

This will create the conditions to facilitate Members in driving greater take-up of terrorism cover, returning risk to the private market, further distancing the taxpayer from the financial consequences of Acts of Terrorism and bolstering the resilience of the economy.

The main changes to the Scheme

- **Aggregate treaty:** The Scheme will be provided on an aggregate treaty basis rather than on a facultative treaty basis. This means Pool Re will reinsure members on a portfolio basis rather than a per risk basis.
- **Losses occurring basis:** The Scheme will provide cover on a "losses occurring" basis i.e., all losses arising from a certified Act of Terrorism that commence during the relevant 12-month underwriting period will fall for cover under the Reinsurance Agreement. Currently the Scheme operates on a risks attaching basis i.e., all relevant insurance policies that incept or renew during the underwriting period attach to the Reinsurance Agreement. This change is necessary to allow for Members' portfolios to be priced and for their chosen retentions to be agreed annually, both of which are key features in modernising the Scheme.
- **Single contract:** There are currently two separate Reinsurance Agreements, Class A and Class B. Under the new Scheme, Class A (Property Damage / business interruption) and Class B (Non-Damage Business Interruption) cover will be provided under a single Reinsurance Agreement. Members will continue to be able to buy cover for either Class A or Class B categories, or both.
- **Annual renewal:** Under the new Scheme, there will be an annual underwriting period for the treaty, running from 1 April to 31 March each year, rather than the current continuous, rolling contract. Thus, there will be an annual renewal where Members will be required to affirm their adherence to the Scheme rules and choose their renewal retentions for the coming year.
- **Treaty schedule:** Under the updated Scheme, for each 12-month underwriting period, the wording of the Reinsurance Agreement will be identical for each Member (as is currently the case), but each Member will receive a Member-specific Treaty Schedule setting out the Member's individual premium and retentions. The pricing methodology will be consistent for all Members. Other than in relation to the Treaty Schedule, and as is currently the case, there will be no scope for Members to negotiate bespoke terms in respect of the Reinsurance Agreement.
- **Portfolio pricing:** Under the existing Scheme, Members' premiums are payable quarterly to Pool Re by reference to zonal tariffs, which are agreed periodically with HM Treasury and set out in the Underwriting Manuals. Under the updated Scheme, Members' premiums will be calculated by Pool Re on the basis of each Member's ceded portfolio exposures using Pool Re's actuarial terrorism risk model and adjusted by a smoothing mechanism, which will be consistently applied in order to maintain pooling and avoid pricing shocks. By removing the need for Members to calculate and pay premiums on an individual risk basis, the administrative burden on Members will be reduced.

- **Split retentions:** The new Scheme will see the risk retention structure sub-divided (or "bifurcated"). Members will choose a "Section 1 Retention" (chemical, biological, radiological and nuclear [CBRN] and Cyber acts of terrorism – "Non-Conventional") and a "Section 2 Retention" (for "Conventional" acts of terrorism). In the event of a loss, Pool Re will determine whether an act of terrorism is "Non-Conventional" or "Conventional". A Member's maximum exposure will be the higher of the two retentions.
- **Flexible retentions:** Under the current Scheme, each of Class A and Class B has an event retention and an aggregate retention, with Pool Re setting the retention levels for the whole Scheme. Each Member's retentions are calculated based on their market share of the estimated Pool Re premium. Under the new Scheme, there is only an aggregate retention. Pool Re sets the minimum retentions for each Member and Members will be able to fix their own retentions above that minimum, in return for a lower premium. In the first year of the new Scheme, the minimum retentions will be set at a level equivalent to the expiring Scheme. Over time, the premium for buying down to the minimum retentions will become less attractive. This supports Pool Re's and HM Treasury's objective of returning more risk to the market.

Benefits of the revised Scheme

The principal advantages of the changes to our Scheme are as follows:

- **Greater pricing flexibility:** The updated Scheme will allow us to provide reinsurance cover which is priced in a more sophisticated and risk-reflective way. The current Scheme is based on a simple zonal tariff that does not take into account the accumulation of risk within the pool. The flexibility of a portfolio-based approach in the updated Scheme should enable our Members to reintegrate terrorism cover back into their standard property policy wordings, thereby increasing penetration rates and improving Members' proposition to policyholders, including, in particular, to SMEs.
- **Removing bureaucracy and operational friction:** Under the new Scheme, Members will no longer be required to submit their ceded risks to Pool Re via the current quarterly premium declarations process. The new treaty will operate in the same manner as other property aggregate treaties with an annual price covering all terrorism risks carried by a Member during the relevant 12-month treaty period. As such, Members' reporting obligations will simplify, with Members only required to provide an annual exposure return, reducing their administrative burden. The portfolio approach to coverage will also reduce the sales friction inherent within the current Scheme. Pool Re anticipates that this will assist in terrorism being able to become part of the standard coverage in many more commercial package/composite products offered by Members.
- **Returning risk to the insurance market:** Under the new Scheme, Members will be able to rate terrorism cover in the same way as for any other peril. The current Pool Re tariff dictates the commercial terrorism rating environment in Great Britain. Pool Re's remit from HM Treasury is to generate confidence in the risk and to return it to the private market. Pool Re will provide assistance in the understanding of the terror perils and Members will gain a stronger understanding of terrorism risks. In turn, this will help them to develop their own risk appetite. In the updated Scheme, the choice and flexibility of setting their own retentions will allow Members to take on more terrorism risk. By splitting retentions between conventional and non-conventional acts of terrorism, Members have further flexibility to refine their own risk appetite and retain more premium for themselves. This ensures that Pool Re, HM Treasury and ultimately the taxpayer are only supporting the market for larger events and areas of genuine and persistent market failure.
- **Updated Reinsurance Agreement:** To implement the Scheme changes, Members will be required to enter into a revised Reinsurance Agreement. The new Reinsurance Agreement will consolidate the two current Class A and Class B Reinsurance Agreements into a single document, which will be the same for every Member.

  In the first quarter of 2024 a draft copy of this new Reinsurance Agreement was sent to all Members and a final version, which addressed feedback received from Members, was subsequently shared.

TREATY TRANSFORMATION IN FOCUS

Since joining Pool Re in 2022, Chief Underwriting Officer Jonathan Gray has been focused on delivering a treaty that will streamline and simplify terrorism insurance in Great Britain.

With a deadline of 1 April 2025 on the horizon, the past year has been a pivotal year for the company. He shares the key benefits of the transformation, the next steps in the rollout process and his hopes for the future uptake of terrorism insurance.

Jonathan Gray
Chief Underwriting Officer

To kick off, could you give us an overview of the scheme changes?

Pool Re has maintained a reinsurance arrangement with its Members since 1993 and it has remained largely unchanged during that time. This predates modern catastrophe modelling and advanced actuarial approaches, and delivers reinsurance to Members on a risk-by-risk basis. This means Members must discuss insurance options with the policyholder, refer to the Pool Re Manual, provide a quote, bind the insurance, and then declare it to us before completing the necessary bordereaux.

Going forward we will reduce this friction: Members will submit a portfolio of all their risks to us once a year. We will model that portfolio and present them with pricing options. They will pay a fixed premium for the year and that's it. It eliminates ongoing administrative tasks with us. This will create a more efficient system, which takes place online.

It's important to emphasise that the changes will only affect the scheme's reinsurance processes. The guarantee that all policyholders will be paid in the event of a loss will remain unchanged. Policyholders in 2025 will have the same coverage as they did in 2024. The Pool Re scheme and the Government backstop will also remain in place.

"The coverage we offer, which is unlimited in the event of a loss, will remain unchanged."

In summary, our new reinsurance arrangement will be a catastrophe aggregate reinsurance contract that aligns with the modern reinsurance market.

Since you joined Pool Re, the Treaty transformation has been your main responsibility. What appealed to you about the role?

I worked for Lloyd's Syndicates for 33 years, with a background in property reinsurance. Throughout my career, I primarily insured insurance companies against catastrophe risks, mostly in the US but also in the UK. Most recently, I led a global specialty reinsurance practice.

What attracted me to this role was the unique opportunity to transform a reinsurance contract to achieve HM Treasury's goals: returning risk to the private market, increasing the uptake of cover, and enhancing the UK economy's resilience in the event of a terrorist attack.

There's a lot to navigate and many stakeholders involved, including Members, policyholders, brokers, non-Pool Re markets that compete with us, HM Treasury, trade associations, and our Board. Designing a scheme that addresses the needs of so many different stakeholders is a unique and interesting challenge, and I was eager to take it on.

How has the transformation been received by Members?

Very positively. We set ourselves a target of getting 50% of Members to turnout to vote. In the event, over 70% of Members voted, representing 97% of the scheme by premium ceded to the pool. Of the votes cast, 97% were in favour of the transformation. I'm delighted with this level of engagement and support because it shows that Members have come on this journey with us, and are bought in to the same vision that we have.

We consulted with them every step of the way, so seeing such strong engagement at the vote was very satisfying.

"Seeing such strong engagement at the vote was very satisfying."

What are the next steps in rolling out the changes

We are currently designing and building an underwriting system to communicate pricing to our Members, and enable them to confirm what they want to purchase from us. Once we receive their requests, we can deliver a contract back to them.

We need to do this for more than 100 Members all on the same day. As a mutual, fairness and equality among the Membership are crucial. We must treat all Members the same way.

With a catastrophic peril such as terrorism, the system has to go live for everyone simultaneously. We can't have a situation where we've renewed some Members one month, and just as we're getting ready to renew the next group, a terrorism event occurs. This could create a perception of unfairness. So, our plan is to have everything live on April 1, 2025.

We're also externally validating our model. This gives our Members reassurance that we have a reliable model and the right governance structures in place. We will work with an independent external partner who will review our processes, evaluate our work and ensure everything meets the required standards.

Can you outline the key benefits for major Pool Re stakeholders?

In the last 31 years, the UK commercial property insurance market hasn't changed its attitude to terror. Nearly all policies exclude claims in the event of terrorism. If a policyholder wants this cover, they either have to find a Pool Re member who places it with us, or a non-Pool Re member who's prepared to write it. And, as highlighted earlier, this can be an involved process.

Our new treaty gives us a method of taking a whole portfolio and arranging cover. Members have significantly reduced administration. As a result, it gives them the opportunity to start reintegrating terrorism cover as standard, which is important for those working with small to medium-sized businesses.

Imagine you're in a provincial city and there's an explosion. The insurer's phones would be ringing with calls from business owners saying their windows have been blown in, or their roof's been damaged. Our analysis says that 19 out of 20 of those conversations would end with the insurance company saying, "I'm really sorry, you didn't buy terrorism cover".

Even though it doesn't happen very often, terrorism is perfectly insurable and reinsurable, making the nation more resilient. The Treaty structure offers a route to making terrorism a standard peril that's offered to anyone who buys commercial property insurance.

One of the medium-term benefits is that the vast majority of the risk will be carried by our Members as part of their retention. The amount that it actually costs Pool Re to take that on board is not significant. Although we've got more work to do, early conversations with our Members suggest that they're very keen on exploring this as well. It's all part of returning risk to the market.

Do you have any targets around the adoption of terrorism cover among SMEs?

We're starting to record adoption levels now so we have a baseline to measure success against. Early indications show that only around 1 in 20 British businesses currently has terrorism cover. We're hoping to see that increase dramatically. Ultimately, I'd love to be in a situation where, 10 years from now, terrorism is a standard cover for small businesses. It may take a while but it's a worthy ambition.

"I'd love to be in a situation where, 10 years from now, terrorism is a standard cover for small businesses."

RESILIENCE – POOL RE SOLUTIONS

Our consulting service, Pool Re Solutions, supports the insurance industry, Pool Re's Members and their policyholders, and the wider Great British economy in building resilience against terrorism.

In the face of the Great Britain terrorism threat, Pool Re Solutions' capabilities provide the market with three key pillars:

1

Awareness

Awareness of the threat, terrorist actors, and likely methodologies is the key starting point to effectively identifying risk.

2

Education

Once aware of the threat, organisations must educate themselves to understand how terrorism could impact their business operations, safety, and security.

3

Assurance

Having assurance that an organisation has proportionate procedures and measures in place to manage risk provides stability and confidence to such organisations.

We are a Centre of Excellence for terrorism risk understanding and risk management, providing general advice and information as well as bespoke analysis and consulting support for our Members and their policyholders. Our in-house specialist team, made up of experienced threat analyst and risk consultant experts, has extensive knowledge at hand to support your business in understanding and managing the risks from terrorism.

Having developed a range of bespoke tools, analysis capabilities, and risk modelling techniques aligned to the threat faced from terrorism in Great Britain, Pool Re Solutions is at hand to help organisations to understand the terrorism threat, the potential range of impacts that could result from an attack, and support them in ensuring they have proportionate and effective resilience measures in place to manage the risk.

We provide two dedicated services to support resilience; **threat analysis** and **risk management**.

Threat analysis

Our dedicated threat analysts are experts in distilling the complex Great Britain terrorism threat landscape into tangible information that organisations can use to gain a better understanding of the threat, risk and potential impacts faced. Whether it is free-to-access resources on the general terrorism threat in Great Britain, sector-specific threat assessments, or bespoke threat assessments, our analysis will give you a credible, informed understanding of the Great Britain terrorism threat, including terrorist actors, intent, capabilities and likely methodologies.

Our team provides a number of resources including:

Publicly available content

Threat analysis publications

Our threat analysis publications offer a wide range of resources for our audience to stay informed with the latest terrorism events in the UK and across the world. Our publications include: annual threat reports, blogs, deep dive reports, post incident articles and more.

Podcast

The Totally Terrorism podcast provides insightful discussions about terrorism as our threat analysts speak with leading experts in the counter-terrorism field. Guests include academics, practitioners, counter-terrorism experts and survivors of terrorist attacks.

Sector threat assessments

Our sector threat assessments explore the terrorism threat to specific sectors, outlining past incidents, assessing the likely attack methodologies, and the intent of potential terrorist actors. Our reports cover more than 60 types of organisations across 7 key industry sectors.

Bespoke services

Bespoke threat assessments

Our threat analysts provide bespoke threat assessments tailored to a specific organisation. These assessments are based on our understanding of the current intent and capabilities of terrorist actors in the UK; focusing on the threat to that particular sector, geographical location, and proximity threat.

Briefings and insights

Our experts can deliver threat briefings to Member insurers, keynote speeches, and presentations on the terrorism threat to Great Britain to educate audiences and raise awareness of the threat landscape.

Risk management

Our risk management experts understand terrorism risk and its potential impacts on businesses and organisations. We provide tools, cutting edge modelling, and analysis capabilities to fully assess and explain the risk. The team also supports organisations in mitigating the risk, whether that be through benchmarking of existing security practices against best practice, or providing recommendations for risk mitigation improvement. Pool Re Solutions can support your organisation in improving its resilience against the threat of terrorism.

Our team provides a number of bespoke and free-to-access resources including:

Vulnerability self-assessment tool (VSAT)

Our free-to-access VSAT benchmarks terrorism risk management procedures of an organisation against best practice, and rewards good risk behaviour through the 10% Loss Mitigation Credit on insurance premiums for organisations that meet the criteria.

Threat, vulnerability and risk assessments (TVRA)

Our experts provide bespoke TVRA on behalf of an organisation to assess the threat they are exposed to. We identify vulnerabilities that could be exploited during an attack, in order to identify proportionate risk improvement recommendations.

Legislative compliance

Our risk management team provides regular updates on the progression of Martyn's Law and other legislation, along with analysis on the consequences for the insurance industry.

Probable maximum loss (PML) studies

Our bespoke PMLs identify the Credible Worst-Case scenario to organisations and, through state-of-the-art computational modelling, can assess the potential loss, damage and financial cost of such an event, providing assurance to the insurer and policyholder.

Crisis exercise simulation

We support organisations in identifying credible impact scenarios, and then in testing and exercising them, so that organisations are prepared to deal with an attack if the worst were to happen.

Case study: Probable maximum loss study

King's Cross Estate, London N1C

"The report from Pool Re Solutions was excellent and provided assurance that our understanding of the risks faced was accurate and that we had good procedures in place. The PML loss estimates and reinstatement timelines that were included offered real value, allowing us to revisit our insurance coverage in alignment with our organisational risk appetite. The clarity of recommendations provided by Pool Re Solutions was pivotal in helping us secure budget for improvements to risk mitigations onsite. The project was delivered efficiently and effectively by a helpful and knowledgeable team, with valuable insights and output throughout."

ANDY SLATTER – SENIOR ESTATE MANAGER
ARGENT (PROPERTY DEVELOPMENT) SERVICES LLP

Situation

Pool Re Solutions was brought in to provide a Probable Maximum Loss (PML) study for the King's Cross Estate, on behalf of Argent Services LLP.

The 67-acre site comprised retail, leisure, major corporation offices and crowded place locations. Both the estate's significant Total Insured Value (TIV), and proximity to surrounding high-value insured properties and critical national infrastructure, meant that there was significant property aggregation to be considered.

Solution

A bespoke threat assessment for the site and surrounding area was undertaken, alongside a site survey, in order to identify a selection of credible worst-case attack scenarios.

These scenarios were then modelled through 3D computational fluid dynamics to understand the likely building percentage damage, and a probable maximum Loss calculated alongside likely reinstatement timelines and business impacts. Risk mitigation recommendations were then provided to reduce the client's vulnerability against the identified credible attack scenarios.

Benefits

The report firstly assured the client that they had a good understanding of the threats and risks that they faced.

The PML analysis then allowed the client to re-evaluate their insurance coverage at renewal to ensure it provided sufficient cover in line with their risk appetite, particularly when considering knock-on effects such as reinstatement and business interruption. The findings also acted as supporting evidence to secure funding for risk management improvements, including that of Hostile Vehicle Mitigation scheme improvements.

RESILIENCE – COUNTER TERRORISM ALLIANCE

Mitigating the likelihood of a terrorism incident or minimising the impact of any event is core to our purpose of increasing the Great Britain's economic resilience to terrorism.

As part of the five-year review with HM Treasury completed in 2022, it was agreed that Pool Re could invest up to 1% of its fund annually in activities that make the UK safer from a terrorist attack.

To this end, in 2023/4 we entered into a formal collaboration with Counter Terrorism Police and the Homeland Security Group in the Home Office to form the Counter Terrorism Alliance (CTA). The CTA is a formally constituted body that governs the relationships between the three organisations and sets out the terms under which Pool Re will invest in projects that improve national resilience. The key objective of the CTA is to enable Pool Re to invest in projects that reduce the likelihood of a terrorist incident, or help mitigate the scale and impact of an event and therefore protect the scheme and the taxpayer from losses.

In its first year of operation the CTA has made investments in projects in the following areas:

Counter drone technology

The CTA is investing in a project led by the appropriate Government departments to run a number of trials to allow production of updated guidance for the police and appropriate commercial organisations on the most appropriate protective measures to protect property and other assets against malicious drone usage.

Technical enhancements to biometric border systems

This project provides funding to accelerate some technical enhancements to expand the existing capacity and capability of Great British authorities to conduct biometric security checks as part of the immigration process.

It is intended that the CTA will invest in other risk mitigation projects in the future.

OUR PEOPLE AND CULTURE

A big focus for our organisation in 2023-24 was improving our people proposition and investing in articulating the culture that we want to build.

We are committed to supporting our people at all stages of their careers by providing market-competitive compensation and benefits, and exciting learning and development opportunities, in a supportive and healthy working environment.

We strive to create a workplace in which there is mutual trust and respect and encourage everyone to feel responsible for the performance and reputation of the company. As such, we work towards achieving a diverse and inclusive workforce, recruiting, employing, and promoting people based on objective criteria and with the qualifications and abilities needed for the job to be performed.

We promote integrity and professionalism and seek to lead by example. We support our colleagues' professional development and long-term career growth and recognise and reward colleagues who perform well.

In 2023-24, Pool Re invested in developing a deeper understanding of our workplace values among our staff. We also worked with external experts to map the working preferences of all staff members to gain a greater understanding of organisational make up and to maximise our strengths. We improved and professionalised our appraisal process, introducing new systems and ensuring greater transparency regarding objectives, performance and renumeration.

Our company values are at the heart of our organisation, and hold a meaningful role in our workplace. They define who we are; they provide the guiding principles that shape our actions and help us to deliver on what we believe.

BE·EPIC

Bold · Excellent · ESG Centric · Personable · Innovative · Collaborative

It's a state of mind

“The exceptional individuals at Pool Re are the cornerstone of our thriving work environment. We are dedicated to fostering their growth by providing the necessary skills and career opportunities that align with the evolving needs of our Members and the industry.”

GEORGINA WICKEN, CHIEF PEOPLE OFFICER

Bold

...is about being courageous and taking on new things with curiosity. It is a quest for knowledge and getting things done. It is about making difficult decisions, accepting challenges, taking risks.

Personable

...is about building relationships. Being aware of how we behave at work and displaying the human face of our business. Taking part in work activities, lending support to colleagues, being approachable. Being friendly and considerate and treating each other well.

Excellent

...is about exceeding expectations. Being obsessed with solutions not problems. Exceeding customer expectations and relentlessly pursuing the best.

Innovative

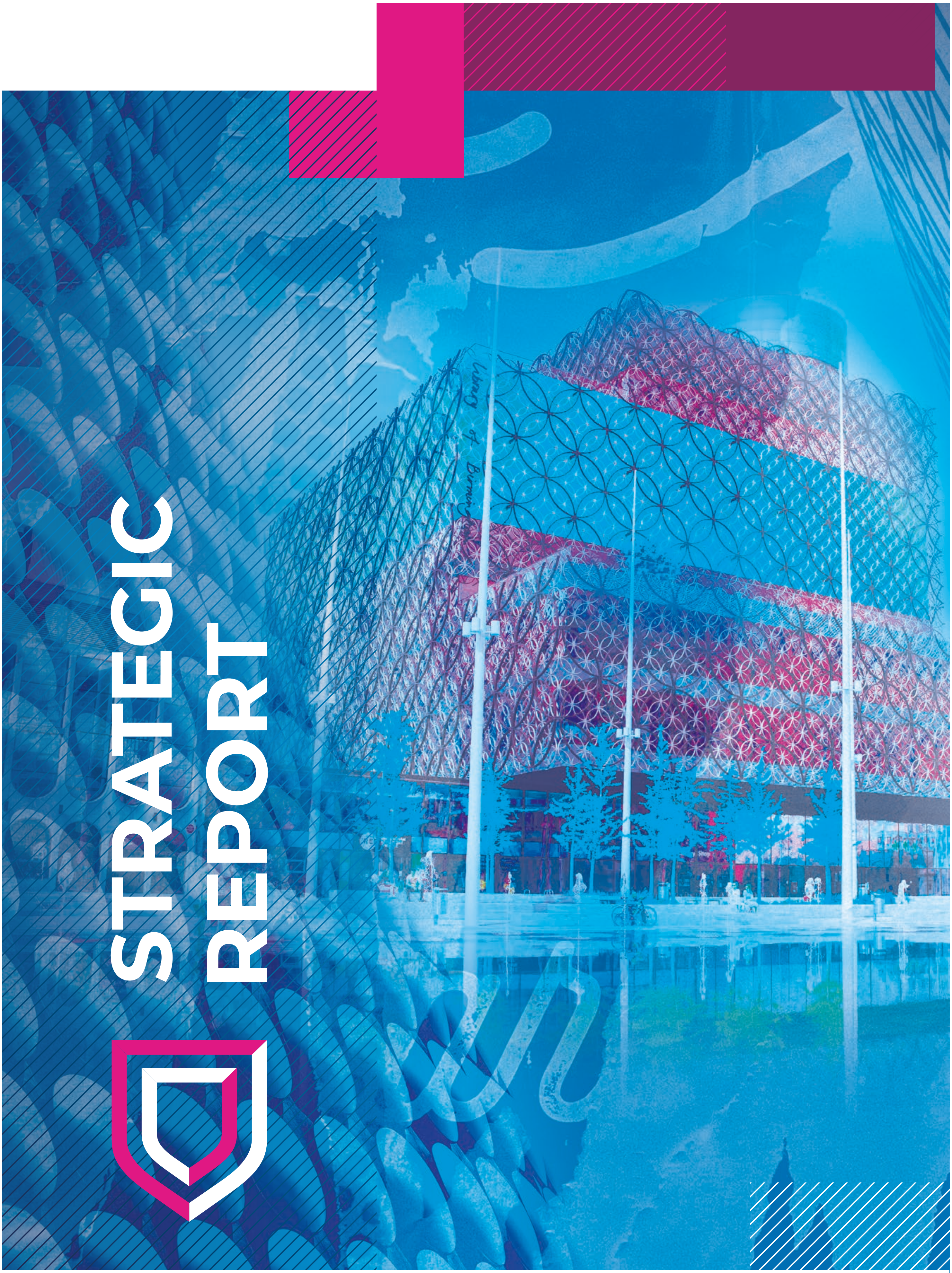
...is about being creative and curious. Exploring possibilities. Being able to question the existing practices. Operating with dynamism and allowing space to create.

ESG Centric

...is about understanding our impact. Considering the environment, social and governance impact in everything that we do. Seeking to reduce our carbon footprint. Recycling and looking for ways to take care of the planet and its people.

Collaborative

...is about sharing knowledge, communicating clearly and kindly with others. Leveraging people’s experience and expertise to work inter-departmentally.



STRATEGIC REPORT

02

CHAIR'S STATEMENT

Marking 30 years

I am pleased to present this Annual Report and Accounts, which covers the period in which Pool Re marked 30 years since its incorporation following the bombing of the Baltic Exchange and resulting market failure.

Angela Knight CBE
Chair of the Board

To mark the occasion, Pool Re hosted an anniversary event for key stakeholders in October 2023, where our principle guest, the Chief Secretary to the Treasury, remarked upon the Company's reputation for excellence and for pioneering the use of financial instruments to return risk and cover to commercial markets. He attributed the success of the Pool Re scheme to date to two key elements. First, to the fact that it has continued to evolve; and second, to the strength of the partnership between Government, Pool Re, and the Great British insurance industry.

It is, therefore, appropriate that this Report also looks at the period during which, with guidance and support from our partners in the public and private sectors, we laid the foundations for a successful next chapter of the Pool Re scheme.

An engaged and unified scheme

Modernising the scheme's reinsurance arrangements is a core part of the Scope of Works agreed at the end of the last HMT review, which concluded in March 2022. Since then, Pool Re has conducted an extensive consultation, including technical and advisory forums and other feedback sessions. On behalf of the Pool Re Board, I would like to thank all those who have taken part in this process.

At the General Meeting held on 22 March 2024, Members approved our proposal to transform the scheme's system of reinsurance to a portfolio-based catastrophe treaty framework, to be implemented from 1 April 2025. Ninety-seven percent of the votes cast were in favour, with only 3% against. The Pool Re Team and Board were particularly pleased with the unprecedented level of Members' engagement and support; over 70% of Members voted, representing 97% of the scheme by premium ceded to the pool.

The results of the General Meeting send a clear message that we are a mutual that knows its direction for the future.

Addressing market failure through evolution

The outcome of the General Meeting is also important to HM Treasury as they have been clear that a condition of their ongoing unlimited guarantee to the scheme is that Pool Re and its Members should continue to find ways to proactively return risk to the market. Pool Re was not designed to support the market on a definitive and static basis, but rather to correct a market failure and enable all businesses in Great Britain to be able to obtain terrorism insurance, instilling confidence and resilience in the economy.

Today, it retains these primary purposes, and the new treaty framework and retention structure will ensure that Pool Re can continue to meet its mandate.

Financial performance 1 April 2023 – 31 March 2024

Pool Re also had a strong financial performance, with the fund increasing from £6.69bn at 1 April 2023 to £7.02bn at 31 March 2024 The strength of the investment fund is an important measure for the Company, as its growth represents an increase in our ability to pay claims and distances HM Treasury (and therefore the taxpayer) from financial loss in the event of a certified terrorism incident.

There were no claims during the reporting period, and the overall fund returned 6.7%. There were strong performances across all asset classes, reflecting underlying market trends, in particular the higher interest rate environment. A detailed Investment Strategy review was concluded in 2022, and the new strategy agreed by the Board is expected to be implemented in full by September 2024.

In addition to the fund, a further £2.4bn of protection is provided under our commercial retrocession programme, with an additional £100m of protection provided by the issuance by Pool Re of the world's largest terrorism catastrophe bond.

Gross premium for the year totalled £262m, down from £276m in the previous year. This decrease was anticipated and is driven by the pricing reductions we were pleased to introduce in October 2022, which reduced rates by an average of 14% across the country and up to 30% in non-urban areas, thereby further increasing accessibility of terrorism insurance for all businesses in Great Britain.

It is important to note that since 2001 Pool Re has paid an annual premium to HM Treasury. The March 2024 payment totalled £239m (£213m premium and £26m interest). In all, this means that Pool Re has now paid some £2bn of premium to HM Treasury for providing the backstop. (This stands to the credit of the scheme in the event of a catastrophic claim).

Our commitment to sustainability

I am also very pleased to report that our commitment to the highest levels of ethical and corporate conduct continues to be embraced across the business and by the Pool Re Board. Robust governance, a strong risk framework, and compliance with our Framework Agreement, which governs our status as an Arm's Length body of HM Treasury, underscores this commitment and our mission of contributing to a more resilient, sustainable long-term future.

Alongside our diversity, inclusion and environmental initiatives, I have been delighted to see so many members of the Pool Re team adopt the new volunteering and community initiatives this year. These initiatives are orientated around social cohesion projects and partnerships which aim to reduce or prevent violent extremism and are an important part of the values-based culture we are fostering at the Company.

Staff and Board of Directors

In closing, I would like to take this opportunity to thank my fellow Board members, Chief Executive Tom Clementi and all the Pool Re team and congratulate them on another successful year and their continuing commitment to the Company. We said a fond farewell to three Directors this year: Adam Winslow, who resigned in August 2023 to take up his new role as CEO of Direct Line; Denise Jagger, who retired in September 2023 after nine years of diligent service; and Claudio Gienal, who left us in December 2023 to take up a new role overseas. We were fortunate to be able to recruit two new experienced Directors, with whom I look forward to working in the years ahead: Owen Morris of Aviva, who joined us in November 2023; and Colm Holmes, CEO of Allianz, who joined us in January 2024.

I am now in my third year as Chair of the Board, and it is clearer than ever that while Pool Re is a small company, it has a large responsibility, and its positive impact and reputation for excellence is due to the diligence and ability demonstrated on a daily basis by its people. As we prepare to enter a new chapter of the scheme under a modernised reinsurance framework, I am confident that the scheme has the resources, partnerships, and support it needs to navigate the challenges and opportunities that lie before us.

CHIEF EXECUTIVE'S STATEMENT

Tom Clementi
Chief Executive Officer

Collective resilience in an age of insecurity

According to the UK's most recent National Risk Register, the country is "facing an ever-changing and growing set of risks". Even since that document was published in August 2023, this statement has been borne out. Threats to our economic and national security have evolved and grown as predicted, whether through rising geopolitical tensions, the deteriorating climate crisis, or emerging risks from rapid technological advance, particularly in artificial intelligence.

The World Economic Forum's Global Risks Report 2024 highlights a predominantly negative outlook for the world over the next two years that is expected to worsen over the next decade. In such times, national resilience entities such as Pool Re and other public-private programmes like it can play a particularly valuable role. As the UK's National Risk Register notes, "Government cannot tackle these challenges alone', but 'by focusing on our collective resilience, we can help the nation be more safe, more secure – and in turn, more prosperous".

Collective resilience is in Pool Re's DNA; by pooling capital, knowledge, and resource from across the insurance industry, we partner with the state and many other organisations to provide confidence and economic security in the face of an evolving and persistent threat from terrorism.

Modernising the Pool Re Scheme

As the threat evolves, so must we, and in the last 12 months we have made significant progress in implementing the Scope of Works agreed with HM Treasury and Members at the end of the last Government review in March 2022. At the heart of this programme has been a proposal to transform the scheme's system of reinsurance from the mechanism that has been in place since the very beginning of Pool Re in 1993 to a new mechanism that will help to normalise the market for terrorism insurance in Great Britain, return more risk to the private sector, and help increase the take-up of terrorism cover across the economy.

Members' approval for these proposals at the General Meeting in March 2024 marked an important moment in the history of Pool Re. To those of the Chair, I would like to add my own sincere thanks to all of our partners, but particularly to Pool Re colleagues and Members for their engagement and input over the last two years in formal and informal consultations, workshops on scheme design, pricing exercises, and contract reviews.

The hard work that has taken place means that the modernised scheme, when it goes live on 1 April 2025, will allow for a more effective and less bureaucratic interface with our Members, and bring the scheme up to speed with the way in which insurance is increasingly transacted in a modern digital marketplace. Our new reinsurance scheme will now be similar in many ways to other property, casualty, and specialty Aggregate Excess of Loss reinsurances that Members will be familiar with; Members will no longer be required to pay premiums to Pool Re on a risk-by-risk basis against our tariff rates, or submit quarterly premium returns.

At the same time, the scheme's risk retention structure will be split between conventional and non-conventional terrorism, with the changes designed to enable Members to retain more risk and premium for themselves according to their own risk appetites. Over time this should ensure that the scheme and the Government are only supporting the market for tail risks and in areas of genuine and persistent market failure.

These changes reflect our guiding principle of creating opportunities for our industry to take greater ownership of terrorism risk and normalise the market as far as possible. The new scheme will introduce far greater freedom for Members to underwrite terrorism risk in line with their own product development strategy, and creates the conditions for Members to reintegrate terrorism cover into standard property policy wordings over time, thereby increasing penetration rates outside of peak zones and amongst SME customers.

Equally, and just as importantly, throughout the consultation and design phase we have been careful to preserve those elements of the current scheme which Members value and which have underpinned the success of the pool for 30 years. Accordingly, under the new scheme, many aspects of the current scheme will remain unchanged, including: the scope of terrorism cover provided; the scheme's unlimited guarantee from HM Treasury; the scheme's core rules; and dividend payments to Members.

Finally, in proposing these changes, market stability has been our foremost concern. The pricing exercises conducted with Members as well as consultation with regulatory authorities and industry bodies will ensure that the impact of the changes is incremental. When the new scheme incepts, continuity of cover and pricing that is recognisable for Members and policyholders will be delivered through a smoothing mechanism with 'floors and ceilings' on pricing based around the current tariff.

Collective resilience through government partnerships

Strong partnerships are at the heart of what we do. The work to modernise our reinsurance scheme has demonstrated the strength of the working relationships we have with both our Members and HM Treasury. Over the last year, we have also strengthened our partnership with the Home Office; through the work of the Counter Terrorism Alliance, we were pleased to commit significant funding to national security initiatives run by the National Counter Terrorism Security Office (NaCTSO) and wider Homeland Security Group, which would not have been possible without our support.

We have also worked closely with the Home Office on industry consultation into the draft Terrorism (Protection of Premises) Bill – or Martyn's Law – which was introduced by the Government in May 2023. If implemented, Martyn's Law will create a statutory obligation for venues and public spaces in the UK to take proportionate risk mitigation actions to reduce the likelihood of a terrorism attack or mitigate the impact should one occur.

We continue to work closely with the Home Office and HM Treasury to establish greater clarity and guidance for our Members around the statutory definition of terrorism used by the scheme in a threat landscape, which has evolved significantly since the pool was established in 1993.

And finally, we are proud of our continued investment alongside the National Security Strategic Investment Fund (NSSIF), delivered by the British Business Bank, which contributes patient capital to advanced technologies involved in delivering national security outcomes.

Collective resilience through international collaboration and systemic risk initiatives

Pool Re continues to play an active role as a founding member of the International Forum of Terrorism Risk (Re)Insurance Pools (IFTRIP), which allows us to share best practice and information and collaborate on research initiatives with other public-private terrorism schemes from around the world. This year IFTRIP's annual conference was hosted by the US Treasury in Washington, and held valuable meetings and workshops to align on the latest trends in terrorism and systemic cyber risk.

Systemic cyber risk presents complex questions for governments and the global insurance industry, but what is clear is that Pool Re and many other programmes like it around the world have shown that governments and insurers can partner to their mutual benefit and to the benefit of policyholders to offer broad, affordable coverage for risks rightly considered "uninsurable" via the traditional model.

As such, we have been following the example set by the US Treasury in conducting a thought leadership exercise across the UK insurance industry under the aegis of a working group established by the Association of British Insurers and Lloyd's of London to test a series of strawman proposals and establish whether greater collective resilience through partnership can be achieved ahead of a major shock to the economy resulting from a systemic cyber event.

Risk intelligence and management

Pool Re's consulting arm, Pool Re Solutions, has continued over the last year to implement the development strategy agreed by the Board at the end of 2022. Our Arm's Length Body status, and strong working relationship with the Home Office, affords PoolRe Solutions access to MI5's Joint Terrorism Analysis Centre (JTAC) briefings and other commercially unavailable data and intelligence to inform our risk modelling and our view of the threat.

Over the past year, PReS' Risk Intelligence team have produced reports designed to enable a more sophisticated and credible understanding of the UK terrorism threat by businesses, and importantly Members, as they look to develop their products under the new scheme next year. Alongside regular threat bulletins, podcasts, and workshops with Members, the team have recently produced a report in collaboration with the Royal United Services Institute on the impact of artificial intelligence on terrorism, as well as 90 openly available sector-specific threat assessments, covering hospitality, retail and wholesale, transport, religious sites and many more.

At the same time, following the successful corporate restructure of Pool Re in 2023, PReS' Risk Management team is now able to provide advisory services direct to our Members and their policyholders. The team has now delivered multiple bespoke risk consulting projects including Probable Maximum Loss Studies (PMLs) and Threat, Vulnerability, Risk Assessments (TVRAs) for Members' policyholders across Great Britain for critical national infrastructure assets, major transportation and retail hubs, and real estate management companies, and will continue to do so in the year ahead.

In closing, I am glad to look back on another successful 12 months for Pool Re, and to look forward to a year in which we will both maintain vigilance under our current reinsurance framework, and prepare for the orderly inception of the new framework.

I would like to thank all my Pool Re colleagues for their energy, engagement, and hard work over the past year. Like the rest of the team I am immensely proud to continue to steward the scheme on behalf of the industry, and play our part in helping the Great Britain to be more safe, more secure and, in turn, more prosperous.

SCOPE OF WORKS 2022 / 2026 INITIATIVE

1 Develop a proposal to modernise Pool Re's system of reinsurance

Summary

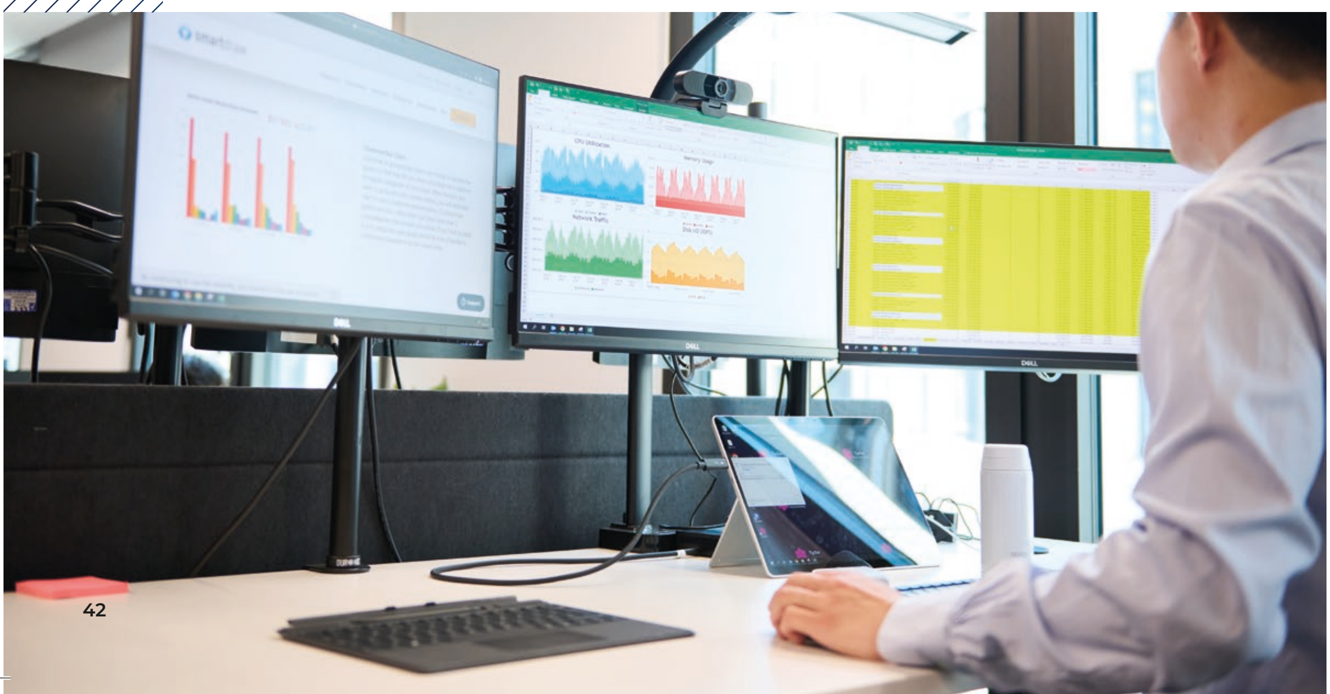
Develop a proposal to transition our reinsurance scheme from a 'facultative obligatory' model to an 'aggregate excess of loss treaty' model. At the same time, introduce a bifurcated (or sub-divided) risk retention structure split between 'CBRN/Cyber' and 'all other' terrorism perils.

Purpose

- Deliver a scheme fit for the contemporary digital insurance marketplace.
- Deliver on our mandate to create the conditions for the maximum return of risk to the private market over time.
- Empower Member insurers to more easily reintegrate terrorism cover within their products and in particular improve penetration within the SME market.

Key activities and success criteria

- Design a modernised scheme that preserves the elements of the current scheme that Members value.
- Create and develop an actuarial and pricing model to underpin the modernised scheme.
- Secure Member and HM Treasury buy-in for the proposed changes.
- Implement the proposed changes with minimal disruption to Members and policyholders.



Progress to 31 March 2023

- Designed proposed scheme and pricing strategy, and conducted Member Consultation August – November 2022. Responders constituted 87% of the scheme by GWP.
- Constituted the Reinsurance Committee of the Board of Directors in January 2023.

Progress to 31 March 2024

- A Special Resolution proposing the transformation of the scheme to an annual aggregate excess of loss treaty programme incepting 1 April 2025 was passed by an overwhelming majority of Members at a General Meeting of the Company on 22 March 2024.
- The Proposals were approved by HM Treasury on 25 March 2024.
- Continual stakeholder engagement to ensure all proposed changes were effective, proportionate, compliant, understood, and supported:
  - Convened quarterly Technical and Advisory Member Forums;
  - Undertook regular dialogue regarding the proposed changes with HM Treasury, industry trade bodies, and the Financial Services Regulatory Authorities.
- Conducted two successful rounds of indicative (or 'shadow') pricing with Members in November 2023 and January 2024 to test pricing structure and strategy for the proposed scheme.
- Conducted a comprehensive Member Consultation in December 2023 on revised legal documentation for the proposed scheme.

2 Continue proactively to return risk to the private market

Summary

HM Treasury is willing to continue to extend an unlimited guarantee to Pool Re as long as we continue to find proactive ways to return risk to the market.

Purpose

- Continue to address the 'market failure' that led to the scheme's creation in 1993 and ensure that HM Treasury's guarantee is only called upon where there are clear areas of ongoing market failure.
- Distance the taxpayer from financial loss in the event of certified terrorism attacks.
- Stimulate private (re)insurance and capital markets to retain as much terrorism risk as commercially viable.

Key activities and success criteria

- Maximise commercial capacity through industry retention levels.
- Bifurcate the scheme's retention structure through the proposed transition to an aggregate treaty model, in order to facilitate greater retention of – and appetite for – non-CBRN/Cyber terrorism risk.
- Continue to manage a viable and cost-effective retrocession programme.
- Continue to manage a viable and cost-effective terrorism catastrophe bond.
- Provide Members with actuarial analysis, pricing tools and threat analysis to develop greater comfort around underwriting and assuming terrorism risk.

Progress to 31 March 2023

- Increased industry retentions from £420m (2022) to £450m (2023) in the aggregate, and from £260m (2022) to £275m (2023) per event.
- Implemented pricing reductions averaging 14%, which took effect on 1 October 2022

Progress to 31 March 2024

- Maintained world's largest terrorism retrocession programme of £2.4bn.
- Maintained world's largest and only terrorism catastrophe bond of £100m.
- Secured support for a bifurcated retention structure to incept 1 April 2025 to reflect more accurately Members' risk appetite for underwriting different terrorism risks.
- Grew the size of the Pool Re fund which distances the taxpayer in the event of a loss from £6.7bn (31 March 2023) to £7bn (31 March 2024).

3 Increase SME awareness and take up of terrorism cover

Summary

Work with HM Treasury, insurer Members and broader insurance bodies to generate awareness and take-up of terrorism cover among SMEs.

Purpose

- Improve the resilience of SMEs in Great Britain and, by extension, the resilience of the economy as a whole to the threat of terrorism.

Key activities and success criteria

- Work with trade associations, industry bodies and insurers to increase awareness of the terrorism risk and the insurance available to SMEs who do not buy insurance.
- Create the conditions for terrorism insurance to be as accessible as possible to all businesses in Great Britain.
- Create the conditions for Member insurers to deploy terrorism cover within their products through modernising the scheme's system of reinsurance and improve penetration in the SME market.
- Collaborate with the Home Office and police to assist Members and their policyholders (SMEs in particular) with awareness and education materials relating to the incoming Terrorism (Protection of Premises) Bill, or Martyn's Law.

Progress to 31 March 2023

- Delivered scheme pricing reductions from October 2022, reducing rates by an average of 14% across the country and up to 30% in non-urban areas, thereby further increasing accessibility of terrorism insurance for all businesses in Great Britain.
- Established partnerships with BIBA, Airmic, the British Chambers of Commerce, and the Home Office in order to generate and promote awareness materials for SMEs.

Progress to 31 March 2024

- Developed an SME Hub on the Pool Re website hosting a number of materials promoting the need for terrorism insurance and the risk mitigation activity an SME business can take to protect thelselves.
- Our underwriting team has modelled different ways to increase SME take up under our new treaty arrangement. These are being socialised with Member insurers.
- Working closely with the Government's Martyn's Law Policy team, we produced a number of briefings and hosted Member seminars on how to prepare for the pending Martyn's Law legislation.

4 Explore clarifications to the Definition of Terrorism, which underpins the scheme

Summary

Work with HM Government to explore the possibility of agreeing new guidance that can be issued within the industry to clarify the scope of Pool Re's cover.

Purpose

- Provide greater clarity to the market and policyholders regarding the scope of Pool Re's cover against an evolving threat.

Key activities and success criteria

- Facilitate a greater understanding by Members and HM Treasury of what we at Pool Re cover.

Progress to 31 March 2023

- Worked with the Home Office and legal counsel to establish and subsequently rule out the alternative statutory definitions which might have replaced the scheme's existing definition of terrorism.
- Established consensus from Members that clarification of the scope of the scheme's existing definition of terrorism is preferable to changing the definition.
- Submitted a proposal to HM Treasury in December 2022, requesting a clarification of their interpretation of the scheme's definition of terrorism and scope of cover.

Progress to 31 March 2024

- Continue to collaborate with HM Treasury and external counsel to refine thinking and to identify scenarios that can be analysed to determine the boundaries of the scheme's definition.
- Working towards HM Treasury publishing updated guidance from as to how they interpret the meaning of an act of terrorism when asked to certify an event.

5 Develop Pool Re Solutions and risk mitigation initiatives

Summary

Work to develop Pool Re Solutions, our division that focuses on terrorism risk intelligence and management projects with insurer Members and academia, and risk mitigation projects with the Home Office, Homeland Security Group, and counter-terrorism police.

Purpose

- Enhance Members' and policyholders' understanding of the contemporary terrorism threat through thought leadership, training and education services.
- Enhance national resilience and security efforts through partnership and investment in initiatives with the Home Office, Homeland Security Group and Counter-Terrorism Police.
- Mitigate contemporary terrorism risk through the delivery of bespoke and at-scale risk management services.
- Amplify terrorism risk mitigation best practice as a primary conduit between Government and the insurance industry.

Key activities and success criteria

- Agree and implement a three-year development plan.
- Invest a proportion of the fund into technologies, companies and Home Office projects which reduce the threat of terrorism and increase UK's resilience.
- Deliver regular thought leadership, risk intelligence and risk management services to the scheme's stakeholders.

5 Develop Pool Re Solutions and risk mitigation initiatives

Progress to 31 March 2023

- Agreed three-year Pool Re Solutions development plan at December 2022 Board meeting.
- Established a Memorandum of Understanding with our Counter Terrorism Alliance (CTA) partners at the Home Office and Counter Terrorism Police.

Progress to 31 March 2024

- Continued investment alongside the National Security Strategic Investment Fund (NSSIF), delivered by the British Business Bank, which contributes patient capital to advanced technologies involved in delivering national security outcomes.
- Through the Counter Terrorism Alliance (CTA), we made multi-million pound investments in several risk mitigation projects, which will help improve the resilience of the UK to a terrorist attack.
- Conducted six-month review of Pool Re's actuarial model scenarios for both conventional and chemical, biological, radiological and nuclear (CBRN) working with other Government departments as well as experts from the private sector and academia to ensure scenarios were appropriate to terrorism. Revised frequencies as well as identified new, credible scenarios for modelling that reflect the changing attack methodology trends.
- Published and promoted regular thought leadership and risk intelligence material to all of our stakeholders. We also conducted Martyn's Law webinars and panels across insurance and security sectors:
  - » Launched the 'Totally Terrorism' podcast which is in the top 25% of all podcasts globally;
  - » Published a monthly threat bulletin, regular deep-dive reports, and over 90 separate sector-specific threat assessments;
  - » Increased by 40% the number of businesses using Pool Re's Vulnerability Self-Assessment Tool (VSAT) to benchmark their risk management and qualify for premium discounts;
  - » Delivered multiple bespoke risk consulting projects including Probable Maximum Loss Studies (PMLs) and Threat, Vulnerability, Risk Assessments (TVRAs) for Members' policyholders across the Great Britain for Critical National Infrastructure (CNI) assets, major transportation and retail hubs, and real estate management companies.

FINANCIAL REVIEW

Background to the Financial Statements

The following notes are designed to aid the understanding of the financial statements presented in this Annual Report.

The International Financial Reporting Standard 17 (IFRS 17)

These financial statements, for the year ended 31 March 2024, are the first the Group has prepared in accordance with IFRS 17 Insurance Contracts. IFRS 17 sets out the principles for the recognition, measurement and disclosure of insurance contracts.

The Group has applied IFRS 17 using the full retrospective approach, under which comparative information for previous periods is restated. The adoption of IFRS 17 did not change the classification of the Group's (re)insurance contracts issued or held. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group.

The presentation in the Statement of Profit or Loss changes under IFRS 17, with premium and claims figures being replaced with insurance contract revenue, insurance service expense, and insurance finance income and expenses.

The comparative 15-month period

For the comparative period ending 31 March 2023, the Group presented a 15-month reporting period to align its period end date of 31 March with that of Government following the Group's classification as an Arm's Length Body of HM Treasury and the signing of the Framework Agreement between HM Treasury and the Company on 5 May 2022. The information contained in the Group's Annual Report and Accounts is now consolidated into the Annual Report and Accounts of HM Treasury.

Given that comparative information presented in these financial statements and accompanying notes is reported on a 15-month basis, amounts presented are not directly comparable.

Group accounts

These financial statements for the period ending 31 March 2024 are the first the Group has prepared on a consolidated basis. The two subsidiary undertakings, Pool Re Services Limited and Pool Re Solutions Limited, commenced trading on 1 October 2023, and as the Company has control of both subsidiary companies, they are consolidated within these financial statements.

Further details on the subsidiary undertakings are disclosed in the notes to the accounts. Due to the immaterial financial nature of the subsidiary companies, the financial statements have only been presented on a consolidated basis, with additional disclosure of information provided where management judges it to be of benefit to the users of the accounts.

Financial performance for the year to 31 March 2024

Pool Re's insurance revenue, representing gross written premium from Members, totalled £262.7m for the year. The prior period result of £354.9m, as explained earlier, represents revenue for an extended 15-month period. Comparison is further complicated by the significant reductions in scheme pricing agreed with our Members and with Government and implemented in October 2022, but it is clear that the 2023-24 result has reflected the underlying inflation which fed through to exposures and business interruption values in the course of the year.

Reinsurance expenses include the costs of the two elements to our outward reinsurance; premium to Government and commercial reinsurance protection.

- Under the Group's HM Treasury Retrocession Agreement, 50% of the value of gross premiums written incepting during the year is payable as outward reinsurance premiums to Government. For the 12 months to 31 March 2024 this amounted to £130.9m (2022-23: £170.7m). In addition, further premium is payable to Government in accordance with the Retrocession Agreement. This is calculated as 25% of the surplus reported by the Group, calculated as profit for the year before the 25% further premium payable to Government. In the reporting period this amounted to £96.6m (2020-23: £33.1m).
- Commercial reinsurance has also been purchased under our longstanding retrocession programme. In the 12 months to 31 March 2024 premiums paid for commercial retrocession amounted to £45.2m (2022-2023: £89.7m).

The terms of the Retrocession Agreement between Pool Re and HM Treasury include provision for Pool Re to pay an annual distribution to Members. The Board declared such a dividend in respect of its 2022-23 results at its Annual General Meeting on 4 September 2023. The amount of the dividend paid was £33.1m.

No new claims were recorded in 2023-24 and there are no claims outstanding at 31 March 2024.

The total investment result, comprising investment income, including net realised and unrealised gains and losses, totalled £441.3m in the year to 31 March 2024. This is the largest absolute annual return in Pool Re's history, and an exceptional result, even after taking into account the relatively high inflation throughout 2023-24. The comparative investment result reported in the 15-month period to 31 March 2023 was just £29.4m.

The implementation of our updated investment strategy, agreed by the Board in 2022, continued through the period. The 2023-24 investment performance was strong across all major asset classes, reflecting underlying market conditions, in particular the higher interest rate environment. The overall fund return was 6.7%.

The amount allowed for taxation in respect of 2023-24 was a charge of £84.9m. This relates to United Kingdom Corporation Tax and foreign withholding tax on investment income receivable and realised and unrealised profits, less interest payable and investment expenses. There is no taxation charged on the underwriting result as the business is conducted on a mutual basis.

The Company made a resulting profit after taxation of £320.0m for the year ended 31 March 2024 (2022-23: £84.1m).

After accounting for the dividend paid to Members in 2023, the accumulated retained earnings at 31 March 2024 stood at £6,541.9m, 4.6% higher than the 31 March 2023 balance of £6,254.9m.

The investment fund (financial investments, accrued income and investment debtors, creditors and cash) rose from £6,692.6m at 31 March 2023 to a value at 31 March 2024 of £7,017.9m, reflecting the strong investment performance.

s. 172 statement

SECTION 172 STATEMENT

The Directors are aware of their responsibilities to promote the success of our Company in accordance with Section 172(1) of the Companies Act 2006 and have acted in accordance with these responsibilities. The Board of Directors has a comprehensive understanding of its key relationships with a broad range of interested stakeholder groups, such as employees, suppliers and Member insurers. The Board of Directors, both individually and collectively, has paid due regard to consider how the interests of Pool Re's stakeholders have been addressed in Board discussions and decision-making.

Principal decisions of the Board

The Pool Re Board considers the principal decisions of the Board to be those direct decisions taken, which may have a material impact on the Company's strategy, a stakeholder group or the long-term success of the Company. The Board also recognises its responsibilities regarding decisions delegated to management or a committee of the Board. The Board considers how decisions regarding management of the business affect stakeholders' interests. Pool Re's core values, which are Bold, Excellent, Innovative, Personable, Collaborative and ESG-Centric, guide the Company's decision-making process.

(See also the Company's purpose and strategy on pages 7 and 32.)

Stakeholders

Our key stakeholders have been identified as colleagues, customers, Members, suppliers, communities, Government and our regulators.

Colleagues

We employed an average of 42 full-time equivalent staff during the year. Key concerns for our colleagues include training and career development, appropriate tools to do the job, wellbeing, reward, culture and values, and community support. At Pool Re, we continue to develop our suite of HR initiatives to retain, develop and encourage first-class performance from our staff.

This year, for the first time, we conducted a Gallup Q12 Employee Engagement Survey, providing the opportunity for employees to report how engaged they feel working at Pool Re. The results were positive, with a company-wide overall mean engagement score of 3.98 out of 5.00. The survey output was subsequently shared with the Executive and reported to the Board. The key themes will feed into our HR agenda for 2024-25.

Furthermore, regular presentations and updates about the business and the office culture are given to staff where feedback is actively encouraged. During the past year, the Board has supported the workforce through the cost of living crisis by keeping remuneration and staff benefits under review.

(See also the People and Culture section on page 30.)

Our customers: UK businesses/policyholders

Pool Re provides comprehensive, affordable terrorism reinsurance protection to enable and encourage economic activity and investment in the Great Britain, including large infrastructure projects, thereby improving the Great Britain's resilience to terrorism activity. Our reinsurance is a relevant and comprehensive product which evolves with, and seeks to anticipate, the changing terrorism threat and remains available after a large event.

The cover can reward risk mitigation activities, supported by Pool Re's Solutions team, whose knowledge and experience provides specialist terrorism risk information and advice to help policyholders identify and address potential vulnerabilities. We provide an enhanced service to customers through high and clear standards of consumer protection in compliance with the consumer duty as it applies to the products and services that our Members provide to their SME customers.

Member insurers of Pool Re

Pool Re provides a solution in response to market failure, and an evolving product which meets the needs of our Member insurers, with comprehensive terms for terrorism coverage, including chemical, biological, radiological and nuclear (CBRN) events and acts of terrorism triggered by remote digital means. Our reinsurance product is simple to operate, and provides unbroken coverage.

We provide our Members with access to information from our partnerships with public agencies, academia and international pools and we also assist our Members' understanding of the terrorism risk and provide access to threat and actuarial expertise.

Members derive value from the Pool Re annual dividend, reflecting the amount of premium ceded. Additionally, the quality of Pool Re's offering to its Members enhances London's reputation as a world-leading insurance and risk-transfer centre.

On 22 March 2024, our Members voted for the transition to the new Treaty Scheme.

(See also the Treaty section on page 14.)

Wider (re)insurance industry

We provide a route to normalisation of the wider market for terrorism insurance, ensuring confidence in the insurance industry through our retrocession programme. This enables non-direct reinsurer participation, which would not otherwise be possible,and encourages the development of a specialist terrorism market.

Our annual Market Event brings together Members, the wider insurance industry and other parties with an interest in terrorism reinsurance. Pool Re's unique position as an insurance industry mutual enables us to facilitate this broad-based engagement and information sharing.

Suppliers

We adhere to the Public Contract Regulations when buying goods and services and managing contracts. Consequently, our suppliers benefit from the principles of propriety, fairness, transparency, consistency, proportionality, and value for money in all contracts for services, supplies, and works entered into by Pool Re.

We support our suppliers through our adherence to the principles of the Prompt Payment Code to ensure good practice in respect of timely payments and provision of clear guidance.

Community and environment

Pool Re has established a Community Working Group, comprised of a diverse range of employees, which is dedicated to helping the firm's wider community to thrive. The objectives and deliverables of the Group are employee-led with a focus on promoting volunteering opportunities for employees that benefit the public interest, whether this be through colleagues participating in initiatives organised by the firm or employees pursuing their own personal community activities. The Group promotes the use of our volunteering policy, company-sponsored community initiatives and provides meaningful and impactful volunteering and fundraising opportunities for staff.

We continue to develop our approach to Environmental, Social and Governance (ESG) issues. This encompasses both Pool Re's office practices and the management of our investment fund. Our commitment to ESG matters is illustrated by our adoption of the UN Principles for Responsible Investment and by subscribing to the Carbon Disclosure Project.

The Board has considered the Prudential Regulation Authority (PRA) Supervisory Statement 3/19 (SS 3/19), which requires banks and insurers to enhance their monitoring of the financial risk from climate change. An internal exercise has been undertaken to embed climate risk in our risk management framework and strategic decision-making processes.

Government

Public finances are boosted through the Government's 50% share of the Pool Re gross premium and 25% of annual surplus. Additionally, the taxpayer is distanced from loss by Pool Re's investment fund and risk-financing solutions e.g., insurance-linked securities (ILS). Our commitment to returning risk to the private market reduces reliance on the HM Treasury guarantee to Pool Re, thereby further distancing the taxpayer from potential loss.

We provide support for the Government's counter-terrorism strategy, both through our Counter Terrorism Alliance (CTA) with the Home Office, and through our role as a conduit to incentivise businesses to implement accredited risk mitigation strategies. Pool Re provides Government with access to expertise in the quantification and pricing of terrorism risk liabilities and an efficient mechanism for payment of claims to businesses impacted by terrorism, enabling the economy to build back in the event of catastrophic loss.

Government moral hazard is reduced by the formalised hierarchy of losses between the public and private sectors in the event of an attack. Pool Re is establishing a reputation as a trusted advisor on how Government could work effectively with the insurance market to address other systemic risks which are difficult to insure on a purely commercial basis.

Regulators

We continue to have an effective and transparent dialogue with our key regulators, the PRA and FCA. This is demonstrated by the ongoing regular engagement of our Board and management, supported by our legal and regulatory team, with our PRA supervisor.

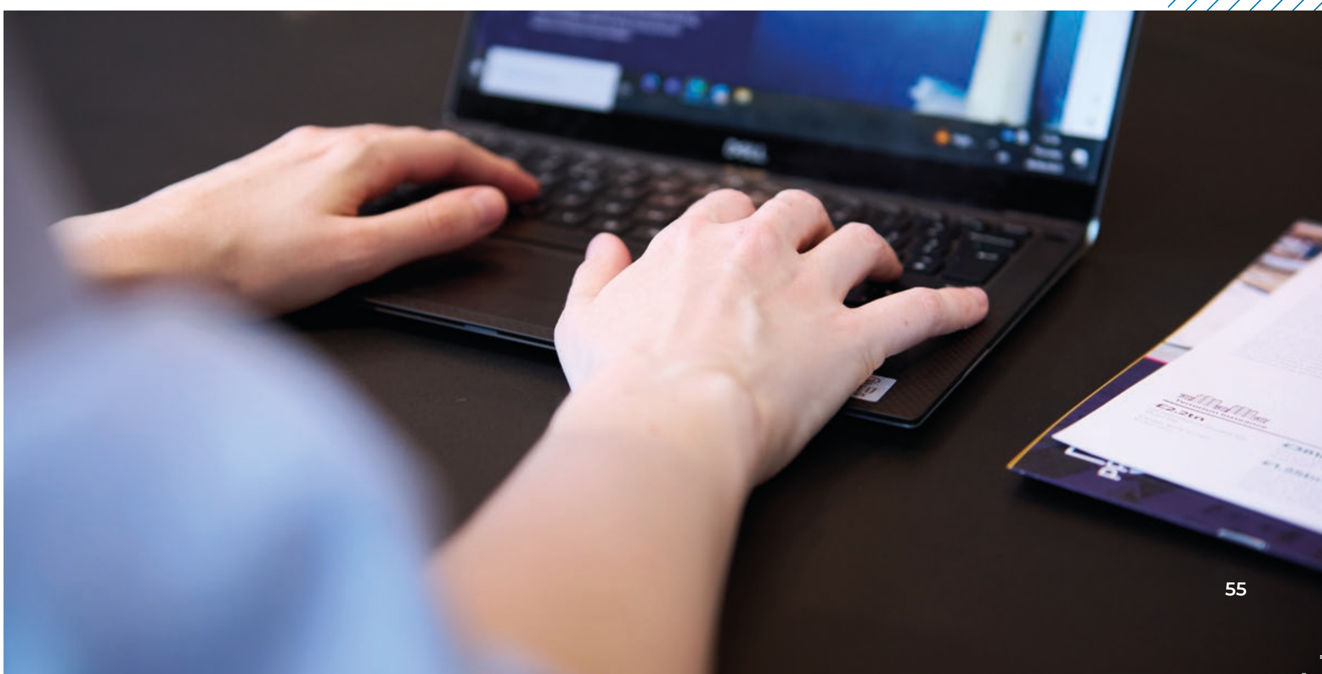
International

The International Forum of Terrorism Risk (Re)Insurance Pools (IFTRIP), launched in London in 2015 at the instigation of Pool Re, has become the pre-eminent forum for collaboration between the world's terrorism (re)insurance pools. Governments, the (re)insurance industry and their policyholders throughout the world benefit from the exchange of best practice and enhanced management of terrorism risk fostered through IFTRIP.

By Order of the Board on 25 July 2024

Tom Clementi

Tom Clementi
Chief Executive Officer



GOVERNANCE & ACCOUNTABILITY

03

DIRECTORS' REPORT

The Directors of Pool Reinsurance Company Limited (registered number 2798901) present their report and the audited financial statements of the Company for the period from 1 April 2023 – 31 March 2024.

Board of Directors

The Board holds six scheduled meetings each year. At the Board meetings, the Board considers reports from each of the key functions, in particular: financial performance; operational performance; commercial and customer engagement; investment management; risk management; legal and regulatory; marketing and communications; and threat analysis. In addition to these standing items, the Board annually considers other matters of significance to the Company, in accordance with an agreed schedule of matters to be considered in the forthcoming year. Alongside the regularly scheduled Board meetings, the Directors also hold an annual strategy session and meet as necessary to discuss any material matters as they arise. During the period 1 April 2023 – 31 March 2024, the Board met 7 times, reflecting the needs of the business.

A formal schedule of matters reserved to the Board is maintained and reviewed annually. Such matters include those that are considered to be of significant strategic importance, which affect the structure of the Pool Re scheme, setting the culture, ethics, values and standards of the Company, or affect the corporate governance framework.

The Board has otherwise delegated to its committees and to the executive management the power to make decisions on operational matters within a framework of internal controls. Each committee operates within written terms of reference and the respective roles and responsibilities of the Chair, Senior Independent Director and the Chief Executive are set out in writing. All of this may only be amended with the Board's approval. The appointment and removal of the Chief Executive and the General Counsel and Company Secretary are also matters reserved to the Board.

The Chair, in conjunction with the Chief Executive and the General Counsel and Company Secretary, ensures that the Board receives the information it needs to discharge its responsibilities. All Directors have access to the services of the General Counsel and Company Secretary and independent professional advice is available, at the expense of the Company, to the Directors in respect of any issue arising in the course of their duties. The Company maintains appropriate directors' and officers' liability insurance in respect of legal actions against its Directors.

Following their appointment, new Directors are given an in-depth induction by executive management. Additional training is provided to Directors throughout their appointment to ensure they possess the necessary knowledge regarding the Company and its operations to perform their role effectively.

Information to the Board

The Board and its Committees are provided with detailed appropriate information in keeping with the nature of the business to inform decision-making processes.

Financial and performance data provided to the Board is extracted from Pool Re's accounting and operational systems. The sourcing and production of management information has developed as our business applications have become more sophisticated and is subject to regular reviews, internal assurance checks and independent audits. The Board effectiveness review included questions about the quality and frequency of information received and no concerns were raised.

Management information is considered both sufficient and appropriate to enable the Board to discharge its duties in steering the organisation towards its strategic objectives, safeguarding its assets and overseeing performance.

Composition

The Board currently consists of 10 Non-Executive Directors, including a Non-Executive Chair, and one executive director, the CEO. Brief biographical details of the current Directors are set out on pages 81-84. The Directors who served during the year and up to the date of signing the financial statements are:

A A Knight CBE

T C Clementi

K Allchorne

C G Cripps

C Gienal
Resigned 31 December 2023

C J Holmes
Appointed 16 January 2024

D N Jagger
Retired 4 September 2023

B J Merry

M Moore

O C Morris
Appointed 29 November 2023

K M Norgrove

Dame Susan Owen

A Rubenstein

A C Winslow
Resigned 31 August 2023

The power to appoint Directors rests solely with the Board. The Articles of Association provide that the number of Directors in office at any one time shall be between three and twelve.

We keep the size and composition of the Board under review. This ensures an appropriate balance of independence, expertise and experience to support the strategic and operational direction of the Company and to provide effective challenge. Regardless of the number of Directors, a majority shall be independent Non-Executive Directors. Director appointments are undertaken with the support and assistance of executive search and leadership advisory firms.

The Articles of Association allow HM Treasury to nominate individuals to be considered by the Board for appointment as Directors. However, only one Director at any time may hold office following nomination in this way. Dame Susan Owen is the Director appointed following nomination by HM Treasury.

At Pool Re, we recognise that a Board of Directors having diverse experience, qualifications and knowledge is likely to promote more effective challenge. Equally, a wider range of perspectives will help it to identify a greater range of risks to the business and be better placed to appreciate and manage their impact. Board appointments and succession plans are based on merit and objective criteria and, within this context, should promote diversity.

Diversity extends beyond gender and ethnicity, to include areas such as social background, age and sexual orientation, as well as diversity of experience and cognitive and personal strengths, all of which are likely to bring some level of competitive advantage. While our business pursues diversity, the Board is not committed to any specific targets. Instead, the Board continues to pursue a policy of appointing talented people at every level who have the knowledge and skillset to deliver high performance, while mitigating the risk exposure of the Company.

Every year, the Board considers the ongoing independence of each Director. This takes into account the period they have served, whether they are also Directors of companies within groups that cede business to Pool Re or whether they have been appointed by significant counterparties. At the date of this statement, the Board considers that all the Non-Executive Directors remain independent in character and judgement and the majority of the Non-Executive Directors are considered independent when assessed against the circumstances set out in Provision 10 of the Financial Reporting Council's UK Corporate Governance Code (the Code).

In accordance with the Articles of Association of the Company, all Directors must retire and seek election at the first Annual General Meeting (AGM) following their appointment. Subsequently, at each AGM, each Director will be subject to annual re-election.

Board Committees

Until September 2023, there were five standing Committees: the Investment Committee; the Risk and Audit Committee; the Remuneration Committee, the Nominations and Governance Committee and the Reinsurance Committee.

However, the Board resolved at its meeting in September 2023 that the Risk and Audit Committee be split into two: a standalone Audit Committee and a standalone Risk Committee. Both Committees continue with the same committee chair and membership. As a result, there are six standing Committees. All of these have written Terms of Reference. The Board has satisfied itself that each of its Committees has sufficient resources to undertake its duties.

The Audit Committee

The Audit Committee is chaired by Barbara Merry and comprises four Directors, all of whom are independent Non-Executive Directors.

The Committee met four times (including one meeting of the previous joint Risk and Audit Committee) during the period 1 April 2023 - 31 March 2024. A summary of the principal activities of the Committee during this and is provided below:

- **Financial statements:** The Annual Report and Accounts and PRA Annual Return were reviewed carefully by the Committee to monitor the integrity of the financial statements prior to submission to the Board for approval. The Committee considered significant risks, including any estimates and significant financial reporting judgements of management and the methodology and assumptions used in relation to our financial statements. Specific consideration was given by the Committee to the key risk of misstatement on the existence and valuation of financial investments. The Committee gained assurance as to the effectiveness of key controls relating to pricing, valuations and existence of financial instruments.
- **Financial instruments:** The Committee also considered the pricing, valuations and existence of derivative financial instruments.
- **Financial internal controls and internal audit:** The Committee monitored the system of financial internal controls and the effectiveness of our internal audit function throughout the year, assessing the resources and skills available.
- **Internal audit reports:** The internal audit function provides independent assurance over Pool Re's internal control framework. The Committee reviews the internal auditor's plan and reports and the effectiveness of the internal auditor's audit process.
- **Going concern and viability of the Company:** The Committee monitored our resources and has satisfied itself that the Company has an adequate level of resources for the foreseeable future.

- **Relationship with the External Auditor:** In accordance with the terms of the Framework Agreement agreed with HM Treasury in May 2022, the National Audit Office (NAO) has been appointed as the statutory auditor of Pool Re. Owing to the prescriptive nature of the appointment of the NAO as the Company's statutory auditor, the Committee can no longer conduct a tender process and make recommendations to the Board about the appointment, reappointment and removal of the external auditor, nor approve its remuneration and terms of engagement. This represents a departure from parts of provisions 25 and 26 of the UK Corporate Governance Code. The NAO provides a non-audit service in relation to its audit of the annual PRA return. However this service is audit-related.
- **External Audit reports:** The Committee reviews the NAO's audit plan and reports and on the effectiveness of the NAO's audit process based on assessment criteria relating to the quality of the audit, the handling of key judgements and the responses to questions from the Committee
- **IFRS 17 implementation:** During the year, the Committee reviewed and challenged management's implementation of IFRS 17 Insurance Contracts, which included the restatement of the 2022-23 financial statements. The members of the Committee attended training sessions conducted by management and their independent advisors, along with considering challenges from the Group's internal and external auditors. The Committee reviewed and challenged the approach, methodology and key assumptions and judgements used by management in implementing IFRS 17.

  Key areas of review and challenge included: the application of the Premium Allocation Approach (PAA) and eligibility assessments undertaken, onerous contract assessment, reclassification of key financial statement line items and the valuation of liabilities under IFRS 17.

Significant judgements and issues

- ### Eligibility for PAA

Description: The Committee reviewed management's judgements in determining the use of the PAA for the valuation of the Group's insurance contracts issued and reinsurance contracts held. IFRS 17 allows entities to adopt the PAA model for groups of insurance contracts with coverage periods of greater than 12 months, if at inception of the group of contracts, the entity reasonably expects that the use of the PAA would produce a valuation of the liability for remaining coverage that would not differ materially from the valuation that would be produced under the General Measurement Model (GMM). The Standard does not define 'materiality', therefore significant judgement is required from management.

Action: The Committee discussed and challenged the key judgements and estimates used by management in determining the application of the PAA to those contracts that were not automatically eligible, including the qualitative and quantitative assessments used by management – alongside the Group's internally developed materiality framework.

Key areas challenged regarding the qualitative assessment included the coverage period of contracts, revenue recognition patterns under PAA and GMM, and other characteristics that could impact cash flow variability such as derivatives and premium variability, specifically relating to the Retrocession Agreement with HM Treasury.

The Committee reviewed and challenged inputs and assumptions used in the quantitative modelling for PAA eligibility, which was undertaken by the Group's independent consultant. Key inputs challenged included the risk adjustment, such as specifically those relating to the illiquidity premium applied through the application of the 'bottom-up' approach, and cash flow variability, ensuring that reasonably expected variability of cash flows was included in modelling.

The Committee considered the judgements made by management in the development of an internal materiality framework. This framework included materiality assessments based on relative measures between PAA and GMM valuation, along with absolute measures based on the Group's audit materiality thresholds. The Committee considered challenge from the external auditor, the NAO, regarding alignment of the Group's materiality framework with general market practice.

The Committee was satisfied with management's judgements and estimates used in determining eligibility for the use of the PAA.

- ### Onerous contracts

Description: The Committee reviewed and considered the judgements used by management in determining the lack of existence of onerous contracts. IFRS 17 requires an entity to identify contracts that are onerous and to report these contracts separately from profitable contracts – along with immediately recognising respective losses in profit or loss. The default position when using the PAA is that contracts are not onerous at initial recognition unless the facts and circumstances indicate otherwise.

Action: The Committee considered and challenged the key facts and circumstances used by management in their assessment of onerous contracts. Key facts included the provision of historical and forward-looking expected loss ratios, along with frequency and severity assumptions as measured by the Group's internal actuarial department. Historical and forward-looking expense ratios were also considered alongside the expected loss ratios to determine a hypothetical combined ratio for groups of contracts.

The Committee also gave regard to threat assessments provided by the Group's internal risk consultancy division, Pool Re Solutions, which provided an overview of the current terrorism threat – including threat actors and methodologies.

The Committee considered a challenge from the external auditor regarding the reasons for the establishment of Pool Re, the existence of the Retrocession Agreement with HM Treasury and the unique nature of the risk that the Group reinsures. However the Committee was satisfied that based on the facts and circumstances utilised in management's judgements in line with IFRS 17, there is no significant possibility of any groups of contracts becoming onerous.

- **Valuation of liabilities**

Description: The Committee reviewed the insurance liabilities reported by the Group under IFRS 17 compared to those under IFRS 4. Insurance liabilities under IFRS 17 include the liability for remaining coverage (LRC) and liability for incurred claims (LIC). There were no LIC balances to report for the current or comparatives periods.

The LRC requires less judgement than the LIC and is recognised on a similar basis to the Group's previous accounting treatment of unearned premium reserves under IFRS 4. However, there were material changes to the measurement of the Group's Retrocession Agreement with HM Treasury which were considered by the Committee, including variability in cash flows and the existence of a significant financing component due to the three-year payment deferral of premiums.

Action: The Committee discussed the judgements that underpinned the year-end liabilities, including the inputs and assumptions, and resulting outputs from modelling performed by the Group's independent consultant.

The existence of the significant financing component on the Retrocession Agreement with HM Treasury required additional judgement from management regarding the determination of best estimate cash flows and the illiquidity premium to be used to discount the liability. These judgements were challenged by the Committee, with challenges supported by information provided by the Group's independent consultant.

Additionally, the Committee was provided with a reconciliation of previously stated liabilities under IFRS 4 for the opening balances at 1 January 2022 and those restated under IFRS 17, with detailed explanations provided for changes in the valuation and the resultant impact on retained earnings.

The Committee was satisfied that management had exercised appropriate control and judgement in estimating insurance liabilities.

The Investment Committee

The Investment Committee is chaired by Alan Rubenstein and comprises five Directors. The Committee met four times during the period 1 April 2023 – 31 March 2024. A summary of the principal activities of the Committee during this period is provided below:

- **Asset allocation:** The Committee kept the Company's asset Allocations under review.
- **Investment policy:** The Committee advised the Board on the development and implementation of the investment policy and strategy and led the process of the ongoing monitoring of the Company's investments.
- **Investment guidelines:** Investment Guidelines have been issued to the Company's Investment Managers and the Committee monitored adherence to these guidelines.
- **Investment manager presentations:** At each meeting the Committee received a presentation from one or more of the Investment Managers, with each Manager presenting at least once every two years.

Nominations and Governance Committee

The Nominations and Governance Committee is chaired by Angela Knight and comprises all the Non-Executive Directors. The Committee met five times during the period. A summary of the Committee's principal activities is provided below:

- **Board appointments and succession planning:** The Committee reviews and recommends to the Board the appropriate size, structure and composition of the Board, taking into consideration skills, experience, diversity and leadership needs.
- **Board effectiveness:** The Committee makes recommendations to the Board concerning the re-election of Directors under the annual re-election provisions, having due regard to performance, ability, contribution and length of service.
- **Evaluation of the board, committees and directors:** The Committee oversees and reviews the results of the annual evaluation of the performance of the Board and its Committees, including the performance of individual Directors, composition and succession planning, and overseeing the implementation of any resulting action plan.
- **Governance framework**: The Committee assesses and oversees the operation of the governance framework and corporate governance practices of the Company.
- **Conflicts of interest:** The Committee considers any direct or indirect interest that a Director may have, and which may conflict with the interests of our Company.

The Reinsurance Committee

The Reinsurance Committee is chaired by Kevin Allchorne and comprises four Non-Executive Directors, one Executive Director (the CEO) and the Chief Underwriting Officer. The principal activities of the Committee are as follows:

- **Underwriting:** The Committee oversees the Company's underwriting scope and rules.
- **Model governance:** The Committee oversees the model governance policy.
- **Reinsurance:** The Committee oversees our reinsurance proposition, including structure and retention levels.
- **Brokers:** The Committee provides input into the process of procurement, appointment and termination of our brokers for placing the retrocession programme.
- **Regulatory and legal:** The Committee considers issues arising in respect of the reinsurance proposition.

The Remuneration Committee

The Remuneration Committee is chaired by Catherine Cripps and comprises four Independent Non-Executive Directors.

The Committee held one scheduled meeting during the period 1 April 2023-31 March 2024. A summary of the Committee's principal activities is as follows:

- **Remuneration policy**: The Committee has delegated responsibility for considering and setting the overall remuneration policy for the Company and in particular its application to the Chair, the Chief Executive and, upon their recommendation, the senior management team. In doing so it reviews and agrees performance objectives for the Chief Executive and the senior management team which are aligned with our wider objectives. It receives performance updates and ensures the fair and consistent application of the remuneration policy elements. These include salaries and bonuses. In fulfilling its duties it receives advice from appropriately qualified external advisers.
- **Remuneration of employees (including the CEO and senior management team):** The Committee has delegated responsibility to review and consider the overall remuneration of Pool Re staff, having regard to the market levels and the Framework Agreement as agreed with HM Treasury.
- **Remuneration practices:** The Committee has responsibility to design and implement practices to support strategy and promote long-term sustainable success, and when determining the remuneration of the CEO and senior management team, to consider the Code requirements of clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

The Risk Committee

The Risk Committee is chaired by Barbara Merry and comprises four Directors, all of whom are independent Non-Executive Directors.

The Committee met four times (including one meeting of the previous joint Risk and Audit Committee) during the period 1 April 2023–31 March 2024. A summary of the principal activities of the Committee during this period is provided below:

- **Effectiveness of enterprise risk management:** The Committee monitored the effectiveness of governance, risk management and internal controls in the Company during the course of the financial year year and up to the date of the approval of the annual report.
- **Effectiveness of the risk function:** The Committee monitored the effectiveness of the Chief Risk Officer and the risk function and reviewed and approved the resources of the risk function to satisfy itself that the risk function had adequate resources and independence to discharge its responsibilities
- **Enterprise risk management framework:** The Committee reviewed and recommended to the Board for approval the risk management framework, risk appetites, risk tolerances, operating policies and other relevant documents relating to our approach to enterprise risk management.
- **Risk register:** The Committee reviewed at each meeting the Company's risk register, including monitoring developing and emerging risks, the operation of key controls and advising the Board about the same.
- **Business plan alignment:** The Committee advised the Board as to whether our strategy and annual business plan are aligned with the Risk Framework.
- **Internal controls and risk management systems:** The Committee monitored the system of internal controls throughout the year.

In addition to these Committees, the Board may from time to time establish ad hoc committees to address any specific purpose, with such delegation of powers and membership as the Board considers appropriate or necessary to meet its aims.

In accordance with the Articles of Association, the proceedings of any Committee to which the Board has delegated powers are minuted and reported to the Directors at the next Board meeting.

Attendance at meetings

It is recognised that Directors' executive responsibilities outside of the Company may result in them being unable to attend all the regularly scheduled Board and/or Committee meetings. On such occasions, the Chair of the Board will obtain their comments on matters to be considered at the meeting in question for passing on to the other Directors as appropriate. During the period 1 April 2023 – 31 March 2024 , the Board convened seven Board meetings.

The table below sets out each Director's attendance at the meetings of the Board and the Committees which they were eligible to attend during the period 1 April 2023 – 31 March 2024.

	Board	Audit Committee	Investment Committee	Nominations & Governance Committee	Reinsurance Committee	Remuneration Committee	Risk Committee
A A Knight CBE	7 (7)		4 (4)	5 (5)		1 (1)	
T C Clementi	7 (7)				5 (5)		
K Allchorne	7 (7)	2 (2)		5 (5)	5 (5)		2 (2)
C G Cripps	7 (7)	4 (4)	4 (4)	5 (5)		1 (1)	4 (4)
C Gienal[1]	5 (5)			4 (4)		1 (1)	
C J Holmes[2]	2 (2)			1 (1)			
D N Jagger[3]	3 (3)			3 (3)			
B J Merry	7 (7)	4 (4)	4 (4)	5 (5)	5 (5)		4 (4)
M Moore	4 (7)		2 (4)	2 (5)	4 (5)		
O C Morris[4]	3 (3)			2 (2)			
K M Norgrove	4 (7)			1 (5)	4 (5)		
Dame Susan Owen	7 (7)	4 (4)		5 (5)		1 (1)	4 (4)
A Rubenstein	6 (7)		4 (4)	4 (5)		1 (1)	
A C Winslow[5]	2 (2)	1 (1)		2 (2)			1 (1)

Possible number of meetings during the period that could be attended are shown in brackets.

1. C Gienal (retired 31 December 2023)
2. C J Holmes (appointed 16 January 2024)
3. D N Jagger (retired 4 September 2023)
4. O C Morris (appointed 29 November 2023)
5. A C Winslow (resigned 31 August 2023)

Performance evaluation

Each year, the Board undertakes an evaluation of its performance. Every third year, the evaluation process includes an assessment undertaken by external board performance consultants, the intervening years being undertaken through self-assessment.

In 2023-4, following a procurement process undertaken in accordance with the Public Contracts Regulations 2015, Pool Re commissioned Independent Audit Limited (IA) to conduct an external review of Board and Committee effectiveness. In order to achieve this, IA interviewed all members of the Board and Executive Team as well as the Deputy Company Secretary, Governance Officer, and the internal and external auditors. In addition, each member of the Board and Executive Team, along with the Deputy Company Secretary and Governance Officer, completed a short questionnaire. IA also observed meetings of all the Committees and the Board and reviewed the Board and Committee papers.

The purpose of the review was to identify areas in which the Board might work better in future. It was also an opportunity to take stock of the Board's performance as part of its cycle of continuous improvement. Since the previous self-evaluation exercise that was carried out in 2022, assisted by IA, the three areas highlighted for improvement during that process include: developing the risk management framework, monitoring implementation of the strategy and overseeing the culture have seen considerable progress.

The IA report noted that the review was undertaken on the understanding that, since the previous review, Pool Re had entered a period of significant change. It has continued with the implementation of its conversion to an Arm's Length Body (ALB) and moved to a March year end. It has also formed an operational group of companies with its two subsidiaries (Pool Re Solutions and Pool Re Services) and continued the process of returning greater risk to the market with the proposed Transition to Treaty, which was approved by Members in March 2024. In 2023 it also celebrated its 30th anniversary.

The IA report also noted that the Board's strengths were notable. The Board and Committees were well chaired and worked well with good dynamics between the Board and Executive. The CEO is well respected and credited with bringing a sense of dynamism to the organisation and a focus on delivery, having strengthened relationships with key stakeholders such as HM Treasury and provided strong and sensitive leadership. It is also indicative of a well functioning Board where Non-Executive Directors and Executives were broadly aligned in their responses to the questionnaires.

Following this review, areas of development will continue to be focused on strengthening the risk management framework and building on the significant progress already made in the area of people and culture.

Directors' remuneration

The Company's Articles of Association provide that, until otherwise determined by ordinary resolution, there shall be paid to the Directors such fees as the Directors determine, not exceeding an annual aggregate. In 2023, an independent benchmarking exercise was carried out by Korn Ferry, an independent consultancy firm, in respect of Non-Executive Director fees both in terms of quantum and structure. The recommendations from that review included retaining the current fee structure which reflects the time commitment of Non-executive Directors who are members of multiple committees. The review also proposed that an inflationary increase broadly aligned to a wider workforce increase be applied to Directors' fees annually. Fees were otherwise deemed to be broadly aligned to market levels. Finally, it was proposed that a more detailed review of fees be undertaken approximately every three years.
Subject to the annual aggregate limit, the Board approved the recommendations of the independent review.

Non-Executive Directors do not receive any additional remuneration from the Company other than their fees. Directors are not paid compensation for loss of office.

Dividend

The Articles of Association of the Company provide for distributions to Members in the form of a dividend and in the circumstances of a winding up.

In September 2023, the Company paid a dividend to Members of £33.1m (2022: £72.m) in proportion to premium ceded during the preceding year.

Donations

The Company has a policy that it does not make political donations. In the year under review we made no such donations.
The Company has established a Donations Committee to consider and determine its charitable donations, subject to an annual limit of £50,000. The Company's charity of the year for 2023-4 was the East End Community Foundation. The charity of the year is determined by the Community Working Group in accordance with agreed criteria. The donations made during the period 1 April 2023 – 31 March 2024 totalled £50,000, listed below:

£36,575	East End Community Foundation
£10,000	Royal British Legion
£1,000	Suited and Booted
£1,000	Smart Works
£475	City Giving Day
£410	William Davies School
£335	Age UK
£205	Employee matched giving charities

Bribery and corruption

The Company adopts a zero-tolerance approach to bribery and corruption, and has appropriate policies and regular training in place to maintain this approach.

Tax evasion

The Company adopts a zero-tolerance approach to tax evasion in compliance with the Criminal Finance Act 2017 and the corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion.

Whistleblowing

The Board complies with the recommendation made in the Code with regard to a policy on whistleblowing and has reviewed the arrangements under which staff may, in confidence, raise concerns.

The Board has adopted a whistleblowing policy, which is disseminated throughout the Company, and is satisfied that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where appropriate, for follow-up action to be taken. Catherine Cripps, one of our independent Non-Executive Directors, is our Whistleblowers' Champion. In this role, she is responsible for ensuring and overseeing the integrity, independence and effectiveness of our whistleblowing framework.

Losses and special payments (audited)

Pool Re has not incurred any losses or made any special payments requiring disclosure in 2023-24.

Financial risk management

The Company's financial risk management objectives and policies with regard to the use of financial instruments are described in note to the financial statements.

Directors' indemnities

The Company has entered into indemnities for the benefit of its existing Directors and future Directors, and these indemnities remain in force at the date of this report.
Copies of the Directors' indemnities, which are qualifying indemnity provisions, are available for inspection at the Company's registered office.

Statement of directors' and accounting officer's responsibilities

Under the Companies Act 2006, the Directors are responsible for preparing the Strategic Report, Directors' Report and the Group and Company's financial statements (the "financial statements") in accordance with applicable law and regulations. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Pool Re Group and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

Under that law, the Directors have prepared the financial statements in accordance with applicable law and UK-adopted international accounting standards. These include:

- Observing the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, insofar as these do not conflict with the Companies Act 2006 and the requirements of IFRS.
- Selecting suitable accounting policies and then applying them consistently;
- Making judgements and accounting estimates that are reasonable and prudent;
- Stating, where applicable, that the Directors have prepared the Group and Company's financial statements in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- Notifying Members in writing about the use of disclosure exemptions, if any, of UK-adopted international accounting standards used in the preparation of financial statements; and
- Preparing the Group and Company's financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time our financial position and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At the date of this report, each individual Director states that they are not aware of any relevant audit information of which our auditors are unaware, and each individual Director states that they have taken any necessary steps as set out in section 418(4) of the Companies Act 2006 as a Director to make themselves aware of any relevant audit information and establish whether the Company's auditors were aware of that information.

HM Treasury has appointed the Pool Re Chief Executive as the Pool Re Accounting Officer.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Pool Re's assets, are set out in Managing Public Money published by HM Treasury. The responsibilities include accountability for the propriety and regularity of finances, keeping proper records and safeguarding assets. This includes ensuring propriety, regularity, value for money and feasibility in the handling of expenditure by Pool Re.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis; and
- Confirm on behalf of the Board that the Annual Report and Accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

"As the Accounting Officer, and on behalf of the Board, I have taken the steps required to be aware of relevant audit information and ensure that Pool Re's auditors are informed of that. As far as I am aware, there is no relevant audit information of which the auditors are unaware."

This statement was approved by the Board of Directors on 25 July 2024 and was signed on its behalf by Pool Re's Chief Executive Officer, Tom Clementi.

Tom Clementi

Going concern

The Board is satisfied, after taking account of the size of the investment fund and the Retrocession Agreement with Government, that the Company has adequate financial resources to continue to operate for the foreseeable future which is, but not limited to, at least 12 months. For this reason, it considers the going concern basis appropriate for the preparation of the financial statements.

Statement of viability

Pool Re's continuation as an entity is ultimately at the discretion of its Members. The Board considers that Pool Re has, and will continue to have, Member support and that its funding arrangements will remain in place. The Directors have based their assessment of viability on the Group's business planning, and the budget which is approved annually by the Board. The Board is confident the unlimited guarantee of funds from HM Treasury will continue and as at the date of approval of this Annual Report and Accounts they have no reason to believe otherwise.

The Directors consider that a three-year period from the year end of assessment is an appropriate period over which to provide its viability statement. The Board considers that it can form a reasonable view over this period of the key drivers of the Group's performance, including the investment profile and operating costs. In accordance with the requirements of the Framework Agreement, as agreed with HM Treasury, the Group is committed to complying with the principles and provisions of the Code to the extent appropriate. The Board reviews compliance on at least an annual basis.

Status of the Company

The Company is a private company limited by guarantee, not having share capital. Pool Re is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Company does not have any branches outside the UK. It has two wholly owned subsidiary undertakings, Pool Re Solutions Limited (Pool Re Solutions) and Pool Re Services Limited (Pool Re Services). In December 2022, the Board approved the development plan for Pool Re Solutions Limited. That plan identified a need for a technical reorganisation of the business to operationalise Pool Re's two subsidiaries so as to enable Pool Re Solutions to develop further such that it can do more to support the Great Britain's resilience in a manner consistent with financial services regulations. Pool Re Solutions supplies services to Pool Re including input into the Pool Re model, terrorism threat updates, risk assessments and risk mitigation services. It also provides risk mitigation services and terrorism threat analysis to Members and their policyholders. Pool Re Services supplies services to Pool Re including the employees to work for and on behalf of Pool Re and Pool Re Solutions as necessary.

In 2020, the Company was classified by the Office for National Statistics (ONS) to the Central Government Subsector in the context of international statistical rules laid out in the European System of Accounts 2010 and the accompanying Manual on Government Deficit and Debt 2019. As a consequence, the Cabinet Office has classified the Company for administrative purposes as an unclassified Arm's Length Body (ALB) of HM Treasury. The ONS classification and the ALB classification do not affect the separate legal personality of Pool Re, or that its assets belong to Pool Re.

Independent Auditor

The Board's policy on the provision of non-audit services to the Company by the Auditor is to permit such work to be performed in areas where it is appropriate, provided this does not compromise independence.

Future developments

Likely future developments in the business of the Company are discussed in the Strategic Report.

Employee Engagement

Details of employee engagement are set out in page 52

Wider Stakeholder Engagement

Details of wider stakeholder engagement are set out in pages 52 - 55

Greenhouse Gas Emissions, Energy Consumption, and Energy Efficiency Action

Recognising that our investment portfolio carries significant exposure to environmental-related risks and while operating an outsourced model, we engage with our investment managers on these risks to bring about necessary change and reduce the portfolio's carbon footprint. We have not provided detailed disclosures on greenhouse gas emissions and energy consumption as the energy consumption of the Pool Re office is less than 40,000 kWh.

Governance Statement

The following Governance Statement forms part of this Directors' Report.

By Order of the Board

Rhod Cruwys
General Counsel and Company Secretary

GOVERNANCE STATEMENT

The Board is committed to upholding the highest standards of corporate governance. The Board's policy is to maintain a framework of corporate governance that is effective, transparent, accountable and aligned to the purpose and values of the Company.

An effective corporate governance framework helps the Board to build the culture and deliver the strategy within the relevant legal and regulatory landscape in which the Company operates. The Company's classification as an Arm's Length Body (ALB) of HM Treasury has resulted in additional governance arrangements for Pool Re, which are set out in its Framework Agreement agreed with HM Treasury, and which describe the governance and accountability framework that applies between the roles of HM Treasury and Pool Re. In addition, it sets out how the day-to-day relationship works in practice, including in relation to governance and financial matters. The document does not convey any legal powers or responsibilities but both parties agree to operate within its terms.

Pool Re and HM Treasury share the common objective of ensuring the ongoing availability and affordability of terrorism (re)insurance in Great Britain. To achieve this, Pool Re and HM Treasury work together collaboratively, recognising each other's roles and areas of expertise, ensuring an effective environment for Pool Re to achieve this objective through the promotion of partnership and trust.

In line with the Framework Agreement, Pool Re is required to comply with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (the Code) and the Guidance on Board Effectiveness to the extent determined by the Board, exercising good governance practices by applying the "comply or explain" approach. At the heart of the Code is a set of principles that emphasise the value that good corporate governance can have on the long-term sustainable success of a business. In addition to compliance with the Code, Pool Re has undertaken to comply with Financial Reporting Manua (FReM) to the extent appropriate to Pool Re, to comply with applicable procurement law and guidance and to comply with Managing Public Money.

The Board is pleased to report to its Members and wider stakeholders that it has applied the principles of the Code and, with the exception of provision 25 and 26, it has complied with the provisions of the Code during the financial period to 31 March 2024, details of which are set out here.

Board leadership and company purpose

The role of the board

Principle A

The Board is responsible for providing leadership of the Company to promote the long-term sustainable success within a framework of prudent and effective controls. The Board oversees the delivery of the strategy of the Company whilst ensuring that the Company's culture remains aligned with the stated purpose, values and strategy. It continues to be responsible for reviewing the performance of management, ensuring that there are appropriate systems of internal controls and risk management and that the necessary financial and human resources are in place for the Company to achieve its objectives and provide long-term value to Members.

The Directors have a broad range of skills, knowledge and experience and can bring independent judgement to bear on issues of strategy, performance, risk management, resources and standards of conduct which are integral to the success of the Company. A robust governance structure supports Directors in discharging their duties to promote the long-term sustainable success of the Company. The Board reviews stakeholder engagement by taking account of the views of key stakeholders. It promotes diverse engagement mechanisms, receives updates and provides feedback to ensure that engagement activities remain effective.

Purpose, values, strategy and culture

Principle B

The Company's purpose sets out why it exists, which is to provide confidence and resilience to the economy and return risk to the market. The Company has a clear strategy, as set out in the Strategic Report (page 32), which guides what it does, and it promotes a strong culture of core values which determines how the strategy is implemented. The values define the Company and provide the guiding principles to shape the actions of the Company's employees to help delivery of the strategy. Such values are illustrated by encouraging the behaviours of the Company's employees to BE EPIC, that is Bold, Excellent, ESG Centric, Personable, Innovative and Collaborative.

Resources and controls

Principle C

The Board is responsible for ensuring that the necessary financial and human resources are in place for the Company to achieve its objectives. It is also responsible for reviewing management's performance against those objectives. As set out on page 67, the Risk Committee has the Board-delegated responsibility for oversight of the risk management framework and controls, and to challenge and to review the checks and balances in place to ensure the delivery of the Company's strategic objectives.

Stakeholder engagement

Principle D

At Pool Re, a clearly defined stakeholder engagement programme has been developed with forums representing stakeholder groups, such as the Member Advisory Group and the Technical Advisory Group. In addition, regular Spotlight meetings are held with Members and quarterly meetings are held with HM Treasury. In 2023-4, Pool Re undertook an extensive stakeholder engagement programme with its Members and other key stakeholders to ensure the successful delivery of the Treaty Transformation project, further details of which can be found on page 14.

Workforce policies and practices

Principle E

The Board has oversight of workforce policies and procedures and their alignment with the Company's values. Pool Re considers its people to be a key pillar within the business model who live its value of doing the right thing to deliver value for stakeholders. Pool Re has in place clear policies regarding recruitment, retention, promotion, performance management, rewards, incentives and flexible working. Further details can be found on pages 86 - 95. Whistleblowing procedures are in place and a Whistleblowing Champion has been appointed (page 71).

Division of responsibilities

The role of the Chair

Principle F

Angela Knight is Chair of the Board of Directors. The Chair leads the Board and promotes a culture of openness and debate by facilitating constructive Board relations, and monitors the Board's effectiveness by ensuring that each Director contributes to Board discussions. The Chair is supported by the Senior Independent Director, Alan Rubenstein, who acts as a sounding board for the Chair and serves as an intermediary for the other Directors, if required. Neither are involved in the day-to-day management of the Company. The Board is responsible for evaluating its own and its Committees' performance. The Chair evaluates the Directors' performance and the Senior Independent Director evaluates the Chair's performance with oversight from the Nominations and Governance Committee, which has the Board-delegated responsibility for the annual evaluation of the performance of the Board and Committees, including the performance of individual Directors.

Division of responsibilities

Principle G

The Board is comprised of 10 Non-Executive Directors, of whom six are independent, and one Executive Director (the CEO). With the exception of the CEO, none of the firm's executive management are members of the Board of the Company, thereby ensuring a clear division between the leadership of the Board and the executive leadership of the Company's business. Save for the matters reserved for the Board, the Chief Executive Officer (with the support of the senior executive team) is responsible for proposing the strategy to be adopted by the Company, running the business in accordance with the strategy agreed by the Board and implementing Board decisions.

Role of the Non-Executive Directors (NEDs)

Principle H

It is the role of the Non-executive Directors to provide constructive challenge and strategic guidance and offer their respective specialist advice whilst holding management to account against agreed performance objectives. The Non-Executive Directors are encouraged to operate outside the Board in order to develop a good understanding of the business and its relationships with significant stakeholders from all levels of the organisation. The Nominations and Governance Committee assesses the time commitments presented by the Directors' other commitments prior to appointment and any additional appointments require approval by the Board. Directors are provided with regular and timely management information to enable them to operate effectively.

Role of the Company Secretary in supporting the Board

Principle I

The Board and each of the Committees are supported by the Company Secretary and the Company Secretariat. The Company Secretary works with the Chair and the CEO to ensure that Board procedures are complied with, advising the Board on governance matters, supporting the Chair and helping the Board and its Committees to function effectively.

Composition, succession and evaluation

Board Composition

Principle J

The Nominations and Governance Committee regularly reviews the skills, attributes and diversity mix of Board members and prepares a description of the role, capabilities and time commitment required for the role to ensure that the right skillsets and a breadth of perspectives are represented at the Board. The Committee manages the appointment process, where appropriate, using the expertise of leading executive search firms with financial expertise and access to talent from a diverse range of candidates. Candidates are drawn from a variety of backgrounds to ensure a positive effect on the quality of decision making.

The Chair, with the oversight of the Nominations and Governance Committee, supports optimal Board composition by ensuring that procedures are in place for an orderly succession for Board and senior management roles. The Committee seeks to identify individuals for nomination as senior management, taking into account the candidates' skills, experience, fitness, propriety and time commitments and ensuring that diversity is promoted in its widest sense of gender, social and ethnic backgrounds, and cognitive and personal strengths. Further information on Board composition can be found on page 59 and succession planning for senior management on page 86.

Skills, knowledge and experience

Principle K

The experience and knowledge of the Directors is regularly assessed across a skillset of 18 categories, recorded and reviewed at least annually by the Nominations and Governance Committee. The length of service of the Board as a whole is kept under review and regularly refreshed.

Board evaluation

Principle L

The Board undertook an independent external evaluation in the current reporting period in order to monitor and enhance its performance and effectiveness. The Board performance review assessed the Board and its Committees. Further information on the Board performance review can be found on page 69.

Audit, risk and internal control

Internal and External Audit

Principle M

Following the separation of the Audit and Risk Committee in September 2023, oversight of risk management, internal controls and compliance was allocated to the Risk Committee. Oversight of internal financial controls sits within the Audit Committee's remit. The Audit Committee has Board-delegated responsibility for annually assessing the independence and effectiveness of the outsourced internal audit function. The procedures to ensure the effectiveness of both the internal and external auditor are set out in the Committee's terms of reference and in the Company's internal Board procedures manual. Further information on the work of the Audit Committee in relation to the internal and external auditors can be found on page 61. The Risk Committee has Board-delegated responsibility for the risk management framework and internal controls. Further information on the work of the Risk Committee can be found on page 67 and the assessment of emerging and principal risks can be found on p101-106.

Fair, Balanced and Understandable Assessment

Principle N

The Board confirms that the Company's annual report and accounts, taken as a whole, are fair, balanced and understandable, providing the information necessary for the Members to assess the Company's position and performance, business model and strategy. The Audit Committee undertakes a due diligence approach to assess this requirement under the Code and provides assurance to the Board that the fair, balanced and understandable assessment of the Company's position and prospects is evidenced by the viability statement and the going concern statement which are set out on page 73.

Risk management and internal controls

Principle O

Oversight of the Board-delegated responsibility for establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take to achieve its long-term objectives, is provided by the Risk Committee. This Committee oversees the risk function and provides assurance to the Board. Risk preferences and appetites are set by the Board following consultation with the Risk Committee and with Senior Management. The Board is responsible for the effectiveness of governance, risk management and internal controls for the period up to and including the approval of the annual report and it carries out a review of their effectiveness following a thorough analysis and report from the Risk Committee. The last review was carried out by the Risk Committee and, subsequently, the Board in May and no significant weaknesses were identified. The Board agreed with the conclusions made in the report that these processes have been operating effectively. Further information on the work of the Risk Committee on risk management and internal controls and the main features of the risk management and internal controls system and the process to identify, evaluate and manage principal and emerging risks can be found in the Risk Management section under the Risk Committee's activities

Remuneration

Remuneration policies

Principle P

The Remuneration Committee has the Board-delegated responsibility for developing remuneration policy. The Committee determines the remuneration policy which applies to all staff and is designed to promote the long-term sustainable success of our Company. Its aim is to ensure that management and staff are remunerated fairly and in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel. Further information on the work of the Remuneration Committee can be found on page 66.

Executive remuneration

Principle Q

The Remuneration Committee is responsible for recommending Executive salaries to the Board for approval. These are justified against benchmarking data and the calibre of the individual, and linked to satisfactory performance and the achievement of financial and non-financial strategic objectives. Incentives and rewards are aligned with the values and culture of the Company. Executive pay is determined annually and approved by the Board. Further information on the work of the Remuneration Committee can be found on page 66.

Independent judgement

Principle R

The responsibility for remuneration decisions ultimately rests with the Board, following recommendations from the Remuneration Committee. Where necessary, the Remuneration Committee, on behalf of the Board, takes independent advice from external consultancies on levels of remuneration to seek to ensure these appropriately recognise responsibilities and are broadly market competitive. Any Executive salary increases generally reflect the Company's standard approach to all-employee salary increases. No Director or Executive is involved in their own remuneration outcomes.

The Board, executive management and corporate information

Details of the Directors of the Company who served during the year and up to the date of signing the Financial Statements are set out as follows.

Angela Knight CBE

Chair of the Board

Angela Knight joined Pool Re in November 2021 as Chair of the Board. Angela is also the Chair of the Nominations and Governance Committee. Angela's current Non-Executive Directorships include Encore Capital Group Inc, Arbuthnot Banking Group Plc, Arbuthnot Latham & Co Ltd and Vanquis Banking Group Plc. She is also an Independent Member of the Astana Financial Services Authority, the Kazakhstan regulator. Prior to joining Pool Re, Angela was the Senior Independent Director at TP ICAP plc and Chair of the Office of Tax Simplification. She has extensive experience in both the public and private sectors, having been a Member of Parliament and Treasury Minister (Economic Secretary). Prior to that, she worked for many years in the engineering industry. Since Parliament, she has been the Chief Executive of the British Bankers' Association and the CEO of Energy UK, as well as serving on several company Boards. She was recently appointed as the Master of the Worshipful Company of International Bankers.

Thomas Clementi

Chief Executive Officer

Tom Clementi was appointed CEO of Pool Re in April 2022, prior to which he was CEO of MS Amlin, a Lloyd's underwriting agency, where he spent 13 years in various management roles. In December 2023, he was appointed as a Director of the Association of Chief Executives (ACE). Tom was a Director of the Lloyd's Market Association between 2017 and 2020 and a common Councillor in the City of London between 2017 and 2022. Before joining the insurance sector, Tom worked as a solicitor at Linklaters. He currently serves as a Governor of the Royal Ballet School and is a member of the National Preparedness Commission and the OECD's High Level Advisory Board on Catastrophic Risks. Tom has an MBA from INSEAD business school and a degree from Oxford University.

Kevin Allchorne

Kevin joined the Pool Re board in January 2023. He is the Chair of the Reinsurance Committee and a member of the Risk Committee, the Audit Committee and the Nominations and Governance Committee. He worked as a Reinsurance Treaty Underwriter for Amlin's Syndicate 2001 for 20 years before being appointed Head of Amlin London and Active Underwriter of the syndicate in 2012. From 2014 to 2015 he was Global Managing Director of Amlin's reinsurance business. After leaving Amlin, Kevin has served as an independent NED of MAP Underwriting Limited (2016 – present) and as a Director (2017 – 2021) and Advisor (2021 – present) of Giroux Ltd, a data analytics consultant for the MGA sector.

Catherine Cripps

Catherine Cripps joined the Board in June 2022. She is the Chair of the Remuneration Committee and is a member of the Risk Committee, the Audit Committee, the Investment Committee and the Nominations and Governance Committee. Catherine brings significant financial markets and investment industry experience spanning more than 30 years during which she held a number of Senior Executive roles. She is an experienced Non-Executive Director and currently serves as a Non-Executive Director of Goldman Sachs International and Goldman Sachs International Bank, chairs the companies' Board Risk Committees, and is a member of their Audit Committees. She is also a Non-Executive Director of Maniyar Capital Advisors Ltd and Non-Executive chair of Polar Capital Technology Trust plc. She also recently completed a four-year term as Director of the Nuclear Liabilities Fund Ltd, where she chaired the Investment Committee. In June 2023, Catherine was appointed as an Independent Member of the Investment Committee of the Marie Curie charity.

Colm Holmes

Colm joined the Pool Re Board in January 2024. He is a member of the Nominations and Governance Committee. Colm was appointed CEO of Allianz Insurance in the UK in December 2021. Prior to joining Allianz, he was Global CEO for the General Insurance Business of Aviva, the FTSE 100 insurer, and President and CEO of Aviva Canada and CEO of Aviva UK General Insurance. Colm joined Aviva as CFO for the UK General Insurance Business in 2013. In a career that spans 35 years, he has also worked at Zurich Insurance and JP Morgan. Colm holds a Bachelor's degree in Business from Trinity College Dublin and is a Chartered Accountant (ACA) and a Member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Barbara Merry

Barbara Merry has been a Director since February 2019 and has chaired the Risk Committee and the Audit Committee since late 2019. She is also a member of the Investment Committee, the Reinsurance Committee and the Nominations and Governance Committee. Barbara was formerly employed at the Corporation of Lloyd's (1985-1999), as Managing Director of Omega Underwriting (1999-2001) and as CEO of Hardy Underwriting Group plc (2002 to 2014). She is now a portfolio NED with Domestic & General Insurance Limited, Berkshire Hathaway International Insurance Limited, Berkshire Hathaway European Insurance Company DAC and BGC Brokers LP/BGC European Holdings LP, Portable Powertech Company Limited and Argus Group Holdings Limited.

Matthew Moore

Matthew joined Pool Re as a Non-Executive Director in March 2023. He is a member of the Reinsurance Committee, the Investment Committee and the Nominations and Governance Committee. Currently, Matthew is President of Underwriting for Global Risk Solutions (GRS, Liberty Mutual). He is responsible for the underwriting strategy and the results for the $24bn organisation. Covering 25 countries and 46 (re) insurance products, it represents one of the broadest portfolios in commercial and specialty insurance. He was previously President and Managing Director of Liberty Specialty Markets, one of the largest Lloyd's syndicates and a significant global reinsurance business, covering all the major international insurance hubs. Formerly, he was Chair of the London Market Group (LMG) and Board Member of the Lloyd's Members Association. He is currently a Vice President of the Insurance Institute of London. He was educated at Oxford University and began his insurance career as a Lloyd's graduate trainee.

Owen Morris

Owen Morris joined the Pool Re Board as a Non-Executive Director in November 2023. He is a member of the Nominations and Governance Committee. Owen was appointed UK Personal Lines Managing Director at Aviva in April 2021 and has led the transformation of one of the UK's largest Personal Lines businesses. During his time at Aviva, Owen was previously the Chief Underwriting and Data Officer for the Group, founded its global data science practice in 2017, and was Managing Director of Aviva's Quote Me Happy business (Aviva's online digital, direct business). Owen has been a Fellow of the Institute of Actuaries since 2006 and an active member of a number of research working parties covering elasticity modelling; model monitoring and validation; and fairness in insurance pricing.

Kenneth Norgrove

Ken Norgrove joined the Board in November 2022. He is a member of the Reinsurance Committee and the Nominations and Governance Committee. Ken has been Chief Executive Officer of RSA, UK & International since January 2022. He was the CEO of RSA Scandinavia from 2019 until the acquisition of RSA by IFC in June 2021. Under Ken's leadership, the subsidiary delivered its best financial results in a decade, building a stable platform for sustained profitability. Ken's history with RSA dates back to 1986, including a four-year term in the UK where he set up the very successful Global Renewable Energy Business. Ken is a Chartered Insurance Director, a Chartered Insurer and fellow of the Chartered Insurance Institute UK (CII).

Dame Susan Owen

Dame Sue Owen DCB was appointed to the Board on 1 July 2020, following nomination by HM Treasury. She is a member of the Risk Committee, the Audit Committee, the Remuneration Committee and the Nominations and Governance Committee. Sue is an economist with more than 30 years' experience in Government, including 14 years at the Treasury. She led the Department for Digital, Culture, Media & Sport 2013-19, having also worked in the British Embassy Washington, No. 10, International Development and as Strategy Director General in Work and Pensions. Having retired from the civil service in 2019, Sue now chairs the UK Debt Management Office Advisory Board and the Governors of the Royal Ballet. In addition, she is a Non-Executive Director at Pool Re Nuclear, Serco plc, Pantheon International plc, Methera Global Communications and Opera Holland Park. She is also a part-time Specialist Partner at Flint Global, and a member of the DAF NV Supervisory Board.

Alan Rubenstein

Alan Rubenstein joined the Board of Pool Re in March 2021 as a Non-Executive Director. He is the Chair of the Investment Committee and a member of the Remuneration Committee and the Nominations and Governance Committee. Alan was formerly the Chief Executive of the Pension Protection Fund, having previously worked in investment banking, asset management, pensions and insurance over the course of a 40-year career in financial services. Now a portfolio Non-Executive Director, he currently chairs the Board of the National House Building Council, and is a member of the Boards of Fidelity International's UK holding company and subsidiaries, and a Trustee of the British Coal Staff Superannuation Scheme. He also serves as a Trustee of a number of trusts related to Dignity Group Holdings Ltd.

Executive Management

Chief Executive
Thomas Clementi

Chief Finance and Operations Officer
Peter Aves FCA

Chief Underwriting Officer
Jonathan Gray

Chief Investment Officer
Ian Coulman MCSI

General Counsel, Chief Risk Officer and Company Secretary
Rhodri Cruwys

Chief Strategy & Communications Officer
Tracey Paul

Chief People Officer
Georgina Wicken

Corporate information

Registered in England
United Kingdom Registration number 2798901

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Telephone number
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E-mail
contact@poolre.co.uk

Website
www.poolre.co.uk

REMUNERATION AND STAFF REPORT

In accordance with our Framework Agreement as agreed with HM Treasury dated 5 May 2022, Pool Re is required to comply with the Government Financial Reporting Manual (FReM) and to produce a Remuneration and Staff Report.

This report sets out the Company's remuneration policy, with particular reference to Directors' remuneration, and details the amounts paid to Directors and Executive Management.

The report also provides details of the composition of staff employed by the Company and presents measures relating to fair pay and gender pay gap reporting.

Reward and remuneration policy

The Remuneration Committee has the responsibility, delegated to it from the Board, for developing remuneration policy.

The Committee determines the reward and remuneration policy which applies to Directors and staff, designed to promote the long-term sustainable success of the Company, with remuneration aligned to the Company's purpose and values.

The Company's policy is to reward Directors and staff in accordance with the role, the market rate for similar positions, and the specific contribution of the individual, having regard to the provisions of the Framework Agreement. Staff remuneration is linked to performance and the achievement of financial and non-financial strategic objectives.

The Company aims to offer a reward package that is competitive with companies of a similar size and complexity in the sector in order to attract and retain quality people. Staff remuneration is subject to an annual market benchmarking review to supplement remuneration intelligence from recruitment agencies.

Independent benchmarking of Non-Executive Directors' fees is carried out every three years. In the intervening two years, any increase in Non-Executive Directors' fees is aligned with staff increases.

The salary and performance-related bonus of the Chief Executive, who is the only Executive Director, and that of the Executive Management team, is decided annually by the Remuneration Committee and approved by the Board.

The Chair receives an annual fee. All other Non-Executive Directors receive a basic fee, plus fees for additional responsibilities, including acting as the senior independent Non-Executive Director and for chairing or membership of the Remuneration Committee, the Investment Committee, the Risk and Audit Committees and the Reinsurance Committee.

The Executive Director is employed on a standard contract of employment with a six-month notice period; Non-Executive Directors' terms, including three-month notice periods, are detailed in letters of appointment. All Directors are subject to re-election each year.

Whilst the Remuneration Committee takes independent advice from external consultancies where necessary on behalf of the Board, the responsibility for remuneration decisions rests with the Board. No Director or Executive is involved in their own remuneration outcomes.

Pool Re's Members set the total maximum amount of Directors' fees that could be payable to Directors at the Company's Annual General Meeting, approving the overall figure included in the Articles and as amended from time to time. The Remuneration Committee proposes a fee for the Chair and in turn asks the Board to approve. The Chair, along with the Chief Executive, propose Non-Executive Directors' fees, which are put to the approval of the full Board. Non-Executive Director fees are not performance-related and there is no provision for compensation if a contract is terminated.

Directors' remuneration (audited)

Details of the Directors' remuneration for the year ending 31 March 2024 and the 15-month period ending 31 March 2023 are shown below.

YEAR ENDED 31 MARCH 2024	Banded fees and salary £'000	Banded performance related bonus £'000	Pension and cash in lieu of pension £'000	Benefits in kind £'00	Banded total for the 12-months £'000	Banded total Full Year Equivalent* £'000
EXECUTIVE DIRECTOR						
T C Clementi	450-455	450-455	45-50	52	950-955	
NON-EXECUTIVE DIRECTORS						
A A Knight CBE	120-125	-	-	-	120-125	
K Allchorne	60-65	-	-	-	60-65	
C G Cripps	70-75	-	-	-	70-75	
C Gienal Resigned 31 December 2023	35-40	-	-	-	35-40	45-50
D N Jagger Retired 4 September 2023	25-30				25-30	60-65
B J Merry	80-85	-	-	-	80-85	
M Moore	-	-	-	-	-	
K M Norgrove	50-55	-	-	-	50-55	
Dame Sue Owen	60-65	-	-	-	60-65	
A M Rubenstein	70-75	-	-	-	70-75	
A C Winslow Resigned 31 August 2023	20-25	-	-	-	20-25	50-55
SUMS PAID TO THIRD PARTIES FOR DIRECTOR SERVICES						
C Holmes Appointed 16 January 2024	5-10	-	-	-	5-10	40-45
O Morris Appointed 29 November 2023	10-15	-	-	-	10-15	40-45

*Details of the Directors' remuneration for the year ending 31 March 2024 and the 15-month period ending 31 March 2023 are shown overleaf.

15-MONTH PERIOD ENDED 31 MARCH 2023	Banded fees and salary £'000	Banded performance related bonus £'000	Pension and cash in lieu of pension £'000	Benefits in kind £'00	Banded total for the 15-months £'000	Banded total Full Year Equivalent £'000
EXECUTIVE DIRECTOR						
T C Clementi Appointed 14 August 2022	420-425	420-425	40-45	44	890-895	900-905
NON-EXECUTIVE DIRECTORS						
A A Knight	125-130	-	-	-	125-130	100-105
K Allchorne Appointed 17 January 2023	10-15	-	-	-	25-30	50-55
C G Cripps Appointed 29 June 2022	45-50	-	-	-	45-50	55-60
C Gienal	45-50	-	-	-	45-50	35-40
D N Jagger	65-70	-	-	-	65-70	50-55
B J Merry	80-85	-	-	-	80-85	65-70
M Moore Appointed 14 March 2022	-	-	-	-	-	-
K M Norgrove Appointed 17 November 2022	15-20	-	-	-	15-20	45-50
Dame Susan Owen	70-75	-	-	-	70-75	55-60
A M Rubenstein	75-80	-	-	-	75-80	60-65
A G Skirton Resigned 10 June 2022	25-30	-	-	-	25-30	55-60
A C Winslow	60-65	-	-	-	60-65	50-55

Notes:

Tom Clementi was appointed Chief Executive of Pool Re in April 2022 and subsequently appointed a Director of the Company in August 2022. Mr Clementi's total remuneration from the date of his appointment as Chief Executive in April 2022 is included in the tables above.

Benefits in kind are in respect of private medical insurance for the Executive Director. This represents the gross (pre-tax) value of the benefits that UK income tax is charged on.

Performance-related bonus figures are based on specific financial and non-financial performance targets for each member of the Executive Management team and align with the period disclosed.

Pension amounts are paid to the Company's defined-contribution pension scheme, or as payroll payments in lieu of pension contributions.

The Executive Director is paid a salary and Non-Executive Directors are paid fees. The Executive Director does not receive fees or any extra remuneration for his role as a Director. Salaries and fees are stated for the financial period they are earned in and relate to each Director's period of appointment. For the Executive Director, the figure in the Fees and salary column consists of basic salary.

By mutual agreement, Matthew Moore has taken up his role as a Director of Pool Re on a pro bono basis. As a result, he does not receive Board fees.

By mutual agreement, the fees for Owen Morris and Colm Holmes are paid to third parties.

No payments were made in the period in respect of former Directors.

Fair pay disclosures (audited)

The banded remuneration of the highest paid Director employed by Pool Re in the 12-month period 2023-24 was £905-910k (full year equivalent 2022-23: £860-865k). For these purposes, total remuneration includes base salary, bonuses and taxable benefits. It does not include pension contributions or pay in lieu of pension contributions.

In 2023-24, no employees received remuneration in excess of the highest paid Director (2022-23: none). Staff remuneration ranged from £25-30k to £905-910k (full year equivalent 2022-23: £25-30k to £860-865k).

The ratio of the total remuneration of the highest-paid Director to the remuneration of the workforce as a whole (excluding the highest-paid Director) is shown below:

	12 MONTHS TO 31 MARCH 2024		15 MONTHS TO 31 MARCH 2023	
	Salary Component	**Total Remuneration**	**Salary Component**	**Total Remuneration**
Band of highest paid Director's total remuneration (£'000)	450-455	905-910	525-530	1,060-1,065
Median remuneration (£'000)	80-85	95-100	100-105	120-125
- Ratio	5.6	9.5	5.1	8.8
25th percentile pay ratio	50-55	60-65	50-55	60-65
- Ratio	9.0	15.2	9.8	16.4
75th percentile remuneration (£'000)	125-130	195-200	195-20	280-285
- Ratio	3.6	4.7	2.7	3.8

The amounts included for the current financial year represent a 12-month period with the comparative numbers representing a 15-month period.

The table above excludes employer pension contributions and thus does not correlate with the narrative on median pay remuneration disclosures.

The ratios decrease for the 25th percentile, reflecting the remuneration received by the new members of staff to have joined in the past year. The increases at the median and 75th percentile reflect the mix of joiners and leavers, in particular significant staffing changes in the 15 months to 31 March 2023, a period when headcount increased significantly.

Percentage change in total salary and bonuses for the highest paid Director and the staff average (audited)

The average number of persons employed on a full-time equivalent basis by the Company increased from 34 in 2022-23 to 42 in 2023-24.

The decrease in the 2023-24 average staff salaries in the table below reflects changes in the mix of staff in the Company.

The headcount increase was predominantly at levels below the Executive Management team, both filling vacancies and in respect of new roles to meet the growing demands on the business.

	12 MONTHS TO 31 MARCH 2024	
	Percentage increase / decrease from 2022-23 annualised	
	Salary and allowances	**Bonuses**
Staff average	-5%	4%
Highest paid Director	6%	6%

The 2022/23 figures represent annualised changes to remuneration from 2021.

Bonus payments in the year reflect the average percentage change from the previous financial year in respect of the highest paid Director and the employees of the entity taken as a whole.

All staff are included in the discretionary performance bonus plan, subject to completion of probation periods. Additionally, all staff are eligible for the Company pension plan, funded with 10% employer contributions and 6% employee contributions. Pool Re ceased to offer private medical insurance and pension sacrifice arrangements for individuals first employed after the 5 May 2022 signing of the Framework Document with HM Treasury.

Executive Management remuneration (audited)

The individuals listed below served as members of the Pool Re Executive Management in 2023-24 and the 15-month period 2022–23.

CHIEF EXECUTIVE
Tom Clementi
Appointed April 2022

CHIEF EXECUTIVE
Julian Enoizi
Resigned March 2022

CHIEF FINANCE AND OPERATIONS OFFICER
Peter Aves FCA

CHIEF RESILIENCE OFFICER
Edward Butler CBE
Retired December 2022

CHIEF UNDERWRITING OFFICER
Stephen Coates ACII
Retired February 2023

CHIEF UNDERWRITING OFFICER
Jonathan Gray ACII
Joined November 2022, appointed Chief Underwriting Officer February 2023

CHIEF INVESTMENT OFFICER
Ian Coulman MCSI

GENERAL COUNSEL, CHIEF RISK OFFICER AND COMPANY SECRETARY
Rhodri Cruwys

CHIEF STRATEGY & COMMUNICATIONS OFFICER
Tracey Paul

CHIEF PEOPLE OFFICER
Georgina Wicken
Appointed October 2022

Details of the Executive Management remuneration for the year ending 31 March 2024 and the 15-month period ending 31 March 2023 are shown below.

YEAR ENDED 31 MARCH 2024	Banded fees and salary £'000	Banded performance related bonus £'000	Pension and cash in lieu of pension £'000	Benefits-in-kind £'00	Banded total for the 12-months £'000	Banded total Full Year Equivalent* £'000
EXECUTIVE DIRECTOR						
T C Clementi	450-455	450-455	45-50	52	950-955	
EXECUTIVES						
P N Aves	200-205	80-85	20-25	126	310-315	
I M Coulman	220-225	220-225	20-25	88	475-480	
R D Cruwys	205-210	145-150	20-25	75	380-385	
J A Gray	265-270	290-295	25-30	0	585-590	
T A Paul	175-180	85-90	15-20	32	280-285	
G E Wicken	100-105	55-60	10-15	0	165-170	

*Full year equivalent only shown for Executives who served for a part of the year.

15-MONTH PERIOD ENDED 31 MARCH 2023	Banded fees and salary £'000	Banded performance related bonus £'000	Pension and cash in lieu of pension £'000	Benefits-in-kind £'00	Banded total for the 15-months £'000	Banded total Full Year Equivalent £'000
EXECUTIVE DIRECTOR						
T C Clementi Appointed 14 April 2022	420-425	420-425	40-45	44	890-895	900-905
EXECUTIVES						
J A P Enoizi Resigned 31 March 2022	100-105	0	10-15	22	110-115	455-460
P N Aves	230-235	120-125	20-25	144	390-395	310-315
E A Butler Retired 31 December 2022	170-175	70-75	15-20	90	265-270	265-270
S M Coates Retired as Chief Underwriting Officer 7 February 2023	235-240	235-240	20-25	85	505-510	455-460
I M Coulman	255-260	170-175	25-30	113	470-475	375-380
R D Cruwys	240-245	160-165	20-25	87	435-440	350-355
J A Gray Appointed Chief Underwriting Officer 7 February 2023	35-40	30-35	0-5	0	70-75	505-510
T A Paul	205-210	115-120	20-25	37	345-350	275-280
G E Wicken Joined 31 Oct 2022	40-45	35-40	0-5	0	75-80	190-195

Notes:

Georgina Wicken's remuneration is in respect of an 80% full time equivalent contract.

Ed Butler's remuneration is in respect of a 90% full time equivalent contract.

Gender pay gap reporting

The gender pay gap measures the difference in pay between male and female employees.

In accordance with Section 17.4 of the May 2022 Framework Agreement between HM Treasury and Pool Re, we are publishing data on the organisation's gender pay gap as prescribed by the Government Equalities Office's published gender pay gap reporting guidance.

This reporting is mandatory for employers with a headcount of 250 or more. Pool Re's headcount at the current reporting date, 5 April 2024, was 46 (5 April 2023 = 44). This excludes Non-Executive Directors, whose remuneration is detailed separately in this report. As we are a relatively small organisation, changes in pay and staff movements for just one employee can have a substantial impact on our pay gap reporting for the year.

Nevertheless, we believe this reporting is a tool to help us to reflect on progress and pursue our ambition to become a fully inclusive and diverse workforce.

Our mean gender pay gap (the differences between the average earnings of males and females) based on salaries on 5 April 2024 stood at 78.3% (5 April 2023: 72.0%).

The gender pay gap is calculated based on the 25 male and 21 female members of staff employed by Pool Re at 5 April 2024 (25 male and 19 female at 5 April 2023) and shown in the table below. We have continued to move closer to gender parity in total headcount numbers in the past year, but we recognise the need to increase female representation at Executive and Management level, through a combination of recruitment and developing our existing staff.

Headcount

Headcount 5 April 2024

EXECUTIVE		
Male	5	71.4%
Female	2	28.6%
Total Executives	**7**	

MANAGEMENT		
Male	8	61.5%
Female	5	38.5%
Total Management	**13**	

OTHER STAFF		
Male	12	46.2%
Female	14	53.8%
Total Other Staff	**26**	

TOTAL		
Male	25	54.3%
Female	21	45.7%
Grand Total	**46**	

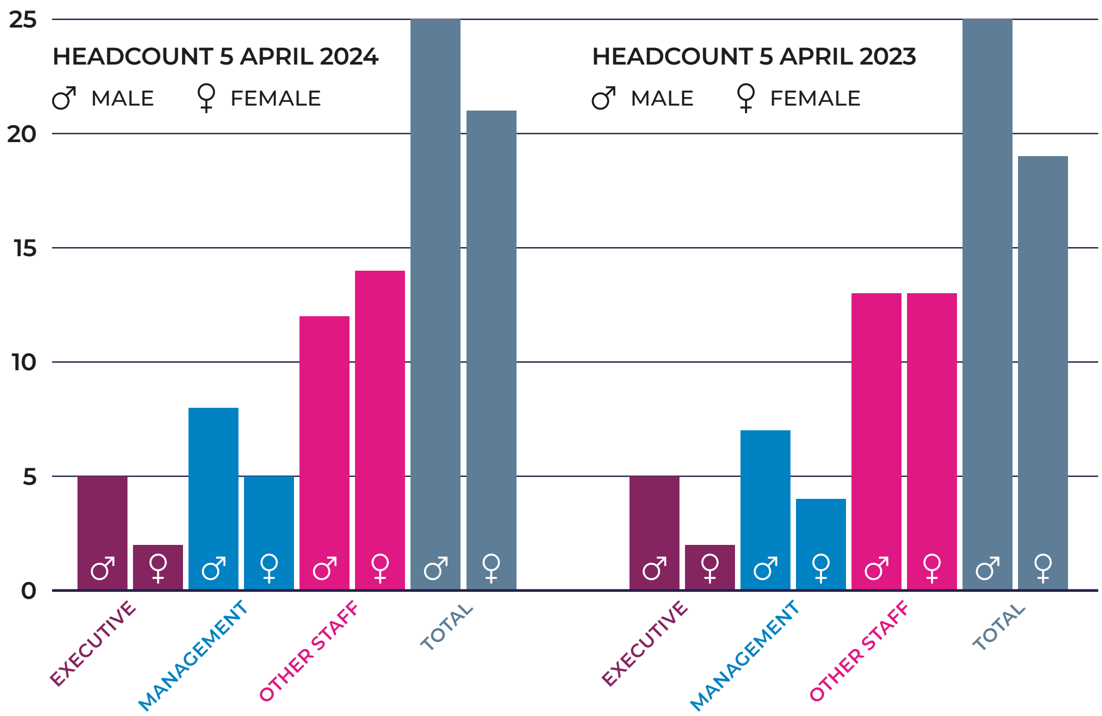
Headcount 5 April 2023

EXECUTIVE		
Male	5	71.4%
Female	2	28.6%
Total Executives	**7**	

MANAGEMENT		
Male	7	63.6%
Female	4	36.4%
Total Management	**11**	

OTHER STAFF		
Male	13	50.0%
Female	13	50.0%
Total Other Staff	**26**	

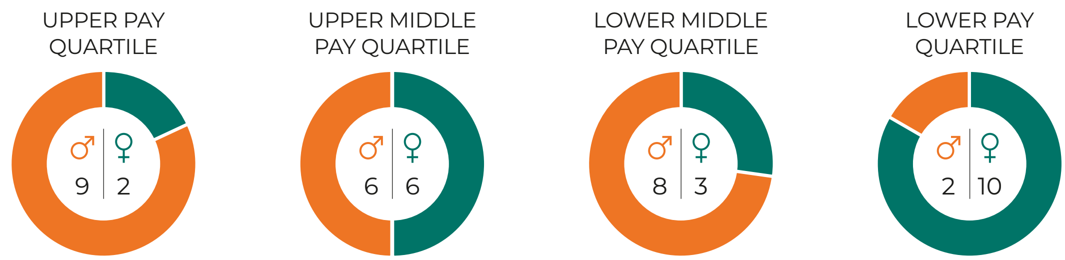
TOTAL		
Male	25	56.8%
Female	19	43.2%
Grand Total	**44**	



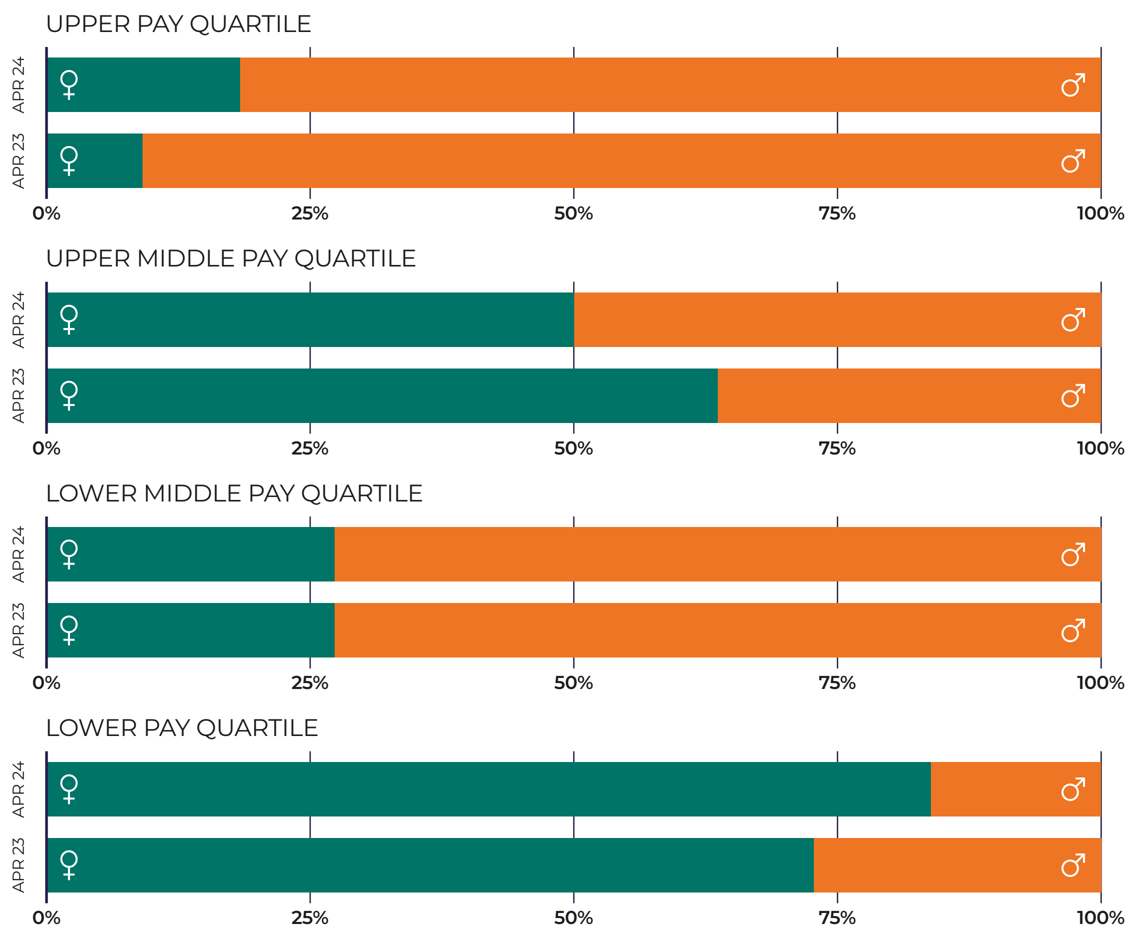
Gender representation by level

♂ MALE ♀ FEMALE

The gender representation for each pay quartile is shown below.



The comparison of April 2024 data with April 2023 below shows minor changes in the past year, but this illustrates the sensitivity of the data in our relatively small staff population. We believe that the gender representation by level will improve over time as we refocus our recruitment processes and as relatively recent female hires progress through the organisation. Our Equality, Diversity & Inclusion (ED&I) Working Group launched in 2023 has an significant role to play in redressing gender imbalance across the business.



Severance and exit payments (audited)

There was one exit package in 2023-24 (2022-23: none). The cost was in the £25–£50,000 band.

SUSTAINABILITY

As a reinsurer of terrorism risk, our purpose is founded on the principle of offering a societal benefit and to help support Great Britain as a safe and secure place in which to live, work and invest.

In the event of a terrorism claim, we seek to support our Member insurers, to ensure claims are paid promptly and enable the fastest recovery possible for those affected. At Pool Re, we are committed to treating all our colleagues with fairness and to operating responsibly and to the highest ethical standards. Our corporate responsibility efforts are a core element of our goal to be a high quality and well respected reinsurance company.

Our governance and ethics

Supported by management assurance and the oversight of an engaged Board, we operate our business with a demonstrable commitment to the highest level of ethical corporate conduct.

This commitment is reinforced by strong policies and practices related to fair, ethical and honest business dealings. Robust governance, a strong risk framework and compliance with applicable laws underscore our commitment.

We are committed to protecting and promoting human rights and seek to establish the same throughout our network of service providers.

As a Public-Private Partnership, we seek to collaborate with both the insurance industry and Government to support the objective of building a more sustainable long-term future.

Our communities

Despite being a compact organisation, we acknowledge the opportunity to extend our impact beyond business functions. We endeavour to enrich the broader community. We foster a culture where our team members are encouraged to engage with their local communities, be it through volunteering time, effort, or financial support.

Our primary areas of focus revolve around community welfare, education, and environmental stewardship.

We channel our support through programs that:

- Help local communities and those in need.
- Support the more vulnerable in society.
- Underpin social cohesion initiatives designed to reduce or prevent violent extremism.

We achieve this through the work of our Community Working Group.

Community Working Group

The purpose of the Community Working Group is to help the Company's wider community to thrive. Through strategic partnerships with charities and the organisation of impactful events, they extend a helping hand to the underprivileged sectors of society. Their efforts are a testament to the power of collaboration and compassion in action, as they work tirelessly to ensure that the benefits of growth and security are accessible to everyone.

Partnerships

The East End Community Foundation (EECF)

The East End Community Foundation (EECF) was carefully selected by the Community Working Group to be Pool Re's 'Charity for the Year' (for the financial year 2023-2024). Focused on London's most deprived boroughs, the EECF is dedicated to alleviating poverty in Tower Hamlets, Newham and Hackney, as well as the City of London.

- **YES Project:** In February 2024, Pool Re hosted an innovative 'YES Project' youth employability day in collaboration with the EECF. The Youth Employment Scheme (YES) Project provides young people with support developing their employability and soft skills, with an aim of helping them move into secure work. The day was packed with activities including educational sessions discussing imposter syndrome, CVs, cover letters, interviews tips and how to dress for success. The day also included mock interviews, networking opportunities and talks from all Pool Re Department representatives on their personal career paths.

The Switch

The Switch is funded by Lloyd's of London, and it is our education charity partner. Through this partnership our staff have impacted our local communities through a variety of their volunteer programs, including:

- **Reading Partners:** Designed for primary school students, this scheme aims to:
  - Develop and inspire an enjoyment of reading.
  - Improve reading comprehension, speaking and listening skills.
  - Provide role models from the world of work.
- **Abacus:** Funded by Lloyd's Community Programme, Abacus is a family financial literacy project engaging children and their parents in Tower Hamlets.
- **Mentoring Programme:** This offers volunteers the opportunity to guide and support an assigned student through impartial guidance on career choices in the hope of raising their aspirations and helping them get closer to achieving their goals.

Our environment

We understand the importance of protecting the planet and are committed to creating a more sustainable future to the best of our ability. This commitment is reflected in our values and everyday operations. We currently employ fewer than 50 staff members in a single location occupying 575 square metres – as a result we recognise that, from a business operations perspective, our ability to have a material impact on carbon emissions is limited. However, there are actions we can take to support and build a more sustainable and fairer environment. These actions are undertaken by our Environmental, Social and Governance (ESG) Working Group.

ESG Working Group

We are committed to operating our business in a way that demonstrates our dedication to global environmental sustainability.

This commitment includes:

- Improving our environmental performance across all aspects of the business, including reinsurance, investments and the work environment.
- Working with our counterparties and suppliers with similar dedication to global environmental sustainability.
- Reaching a carbon-neutral position by 2050. We have either established, or are seeking to establish, milestones and metrics to measure and monitor our journey to reach this goal.

It is important to recognise that metrics are subject to change and that underlying data may be unreliable, which could require us to re-evaluate both the metrics used and the timeframe set.

The purpose of the ESG Working Group is to assist Executive Management and the Board in promoting the long-term sustainable success of the Company with regard to ESG matters.

Key working areas

Underwriting

We continue to assess whether any action can be taken with regard to our underwriting policy in relation to Environmental, Social and Governance (ESG) matters with Member companies. We are obliged to assume all risk from insurers and policyholders that request cover for terrorism-related damage to commercial property. Nevertheless, we are committed to aiding our Members and other stakeholders as they evaluate the impact that these matters are having on developing a sustainable future and seek to influence positive change.

Investments

We recognise that our investment portfolio carries significant exposure to ESG-related risks. As we operate an outsourced model for our investment portfolio, it is crucial that we engage with our appointed investment managers on ESG concerns and actively challenge them on the investments they make on our behalf. These responsibilities and the approach we have adopted form part of Pool Re's Investment Policy. Furthermore, to bolster our analysis, we utilise a subscription to an independent third-party database that provides information and analytics on ESG-related matters. This tool enables us to assess the environmental impact of our investments, track variations, and hold investment managers accountable for their decisions concerning environmental, social, and governance factors.

Business operations

From an environmental perspective, we incorporate low energy and timed lighting to reduce energy consumption. We also work with our landlord and other building tenants to determine if action can be taken to reduce the environmental impact of the building. Over the past year we have made significant strides in promoting recycling within the office environment by installing additional recycling units and making it more convenient for staff to recycle various materials (including food waste, paper, plastic, batteries and pens).

Staff engagement

We demonstrate a strong commitment to engaging staff by fostering a culture of sustainability and responsibility. This is achieved through a variety of initiatives including (i) Education – sharing educational materials with staff that foster a deeper understanding of environmental, social, and governance issues. (ii) Digital Resources – providing digital resources such as OneNote training and digital business cards, which not only reduces waste but also encourages digital proficiency.

RISK FRAMEWORK

Pool Re's Risk Management Framework sets out the overall approach to risk identification, assessment, management and reporting. Through a robust risk governance framework, our risk strategy is cascaded down into underpinning policies and procedures. This promotes the right risk behaviour throughout our organisation and supports effective risk-based decision-making.

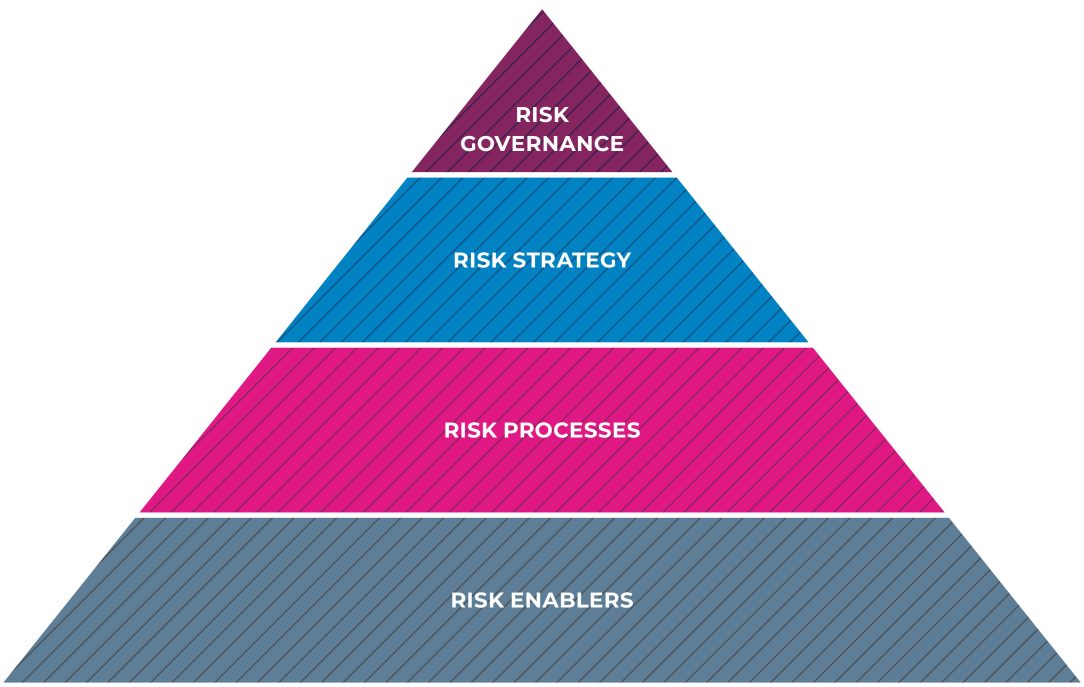
Our risk strategy

Pool Re's strategy when it comes to risk is to focus on risk versus reward and on the resilience and sustainability of its operations. This ensures Pool Re has a strong control environment which is proportionate to its business model and aligned with regulatory expectations. Everyone at Pool Re is responsible for managing risks.

We carry out regular risk assessments, stress testing and monitoring, which supports our ability to adapt to perceived threats and capitalise on opportunities and, therefore, maintain a delicate equilibrium between risk exposure and the potential for strategic growth.

Our approach to risk management

Our Risk Management Framework comprises several key components.



Risk governance

The Board sets the tone from the top and has established a Risk Governance Framework which supports the effective implementation of Pool Re's Risk Management Framework. It includes a system of internal controls to safeguard the Company's assets and reputation, and to ensure compliance with laws and regulations. These responsibilities are delegated to the Risk and the Audit Committees. The Risk Committee is tasked with providing risk oversight and to challenge the implementation of the Risk Management Framework across the business. Within the context of the Risk Governance Framework, the Audit Committee is responsible for overseeing the development and implementation of the internal audit plan.

Risk strategy

The Board owns the risk preferences and risk appetites. The risk preferences set our attitude towards risks and support our decision-making by clearly identifying the risks that we are willing to accept, avoid or mitigate. The risk appetite and accompanying key risk metrics and thresholds define the amount of risk that our organisation is willing to take to meet our strategic objectives. The risk strategy is cascaded down from risk preferences and appetites set by the Board to policies and procedures which enforce the desired behaviours and attitudes for risk management across the business.

Risk processes

Pool Re's Risk Management Framework is composed of several tools and procedures which support risks identification, measurement, management, monitoring and reporting. The key components of the Risk Management Framework include:

- A regulatory horizon-scanning process which enables the identification, analysis and proactive implementation of key regulatory changes.
- An emerging risks process which supports the identification and management of new or evolving risks.
- A risk events process which allows Pool Re to identify and actively manage risk incidents and near-misses, which in turn supports the strengthening of its control framework.
- A risk and control self-assessment process which supports the identification and assessment of key risks and control effectiveness.
- A stress and scenario testing framework which helps improve our risk management capabilities.
- A policy framework to ensure minimum standards of control and effective delegation of responsibilities in relevant risk areas.
- Quarterly and annual risk reports which enable effective risk oversight.

Risk enablers

Pool Re's Risk Management Framework is enabled by our three lines of defence model which promotes clear risk accountability and a more objective risk analysis, which in turn drives an effective risk culture.

BOARD	Employees	The Executive Management and staff are responsible for the implementation of the Risk Management Framework within their departments and therefore hold the primary responsibility for risk identification, measurement, management, monitoring and reporting.	First Line
BOARD	Risk Committee	The risk management and compliance functions are responsible for the establishment of the Risk Management Framework, and providing guidance and independent challenge in respect to the implementation of the Risk Management Framework within business processes.	Second Line
BOARD	Audit Committee	The Internal Audit function provides independent assurance over Pool Re's internal control framework.	Third Line

Principal risks and uncertainties

The Directors consider that the principal risks which face the Company, together with details of the control measures adopted by the Company, are as follows:

1

Strategic risk

The Company is exposed to strategic risk through internal factors and the external business environment, including the changing terrorism threat, execution of its business strategy, and environmental, social and governance concerns.

Key risk mitigants and controls

The Company's approach to the management of strategic risk is considered in the context of the agreed initiatives of the long-term strategy of the Company. Exposure is managed by continual review of the business strategy in conjunction with the commitment to develop plans and contingencies that reflect changes in the external environment whether political, regulatory, economic, social, technological, legal or environmental.
Our key strategic initiative is the transformation of our reinsurance offering from a facultative obligatory treaty to an annual aggregate excess of loss treaty, which is expected to launch on 1 April 2025. A robust project management plan is in place and this initiative is being widely communicated to Members from whom input into the direction of travel is continuously sought. In addition, Pool Re's service offering continues to be extended: the group restructure that was completed during the financial year allows Pool Re Solutions, the consulting arm of the business, to provide a broader range of services, which include guidance to organisations in relation to terrorism threats and vulnerabilities, with the ultimate goal of increasing the resilience of Great Britain to terrorism. Pool Re Solutions combines its knowledge and experience with that of Government agencies, academia, risk professionals and the insurance industry to provide specialist terrorism risk insights.

2

Insurance risk

The Company is exposed to insurance risk arising from inherent uncertainties as to the occurrence, quantum and timing of its insurance liabilities. Insurance risk is judged to be the most significant risk for Pool Re and carries the largest gross exposure.

Key risk mitigants and controls

The Company's approach to the management of insurance risk reflects the commitments contained in the agreements which underpin the Pool Re scheme. We accept all risks presented to us which meet the scheme criteria. Exposure to insurance risk is managed through the placement of a commercial reinsurance programme with high credit-rated reinsurers; exposure management; and strong claims management processes. This ensures, as far as possible, that adequate resources are available to meet a claim or series of claims as and when necessary. In addition, under the Retrocession Agreement with HM Treasury, the Company would draw public funds if claims were to exceed the Company's resources. The agreement specifies circumstances in which amounts paid by Government would be subject to repayment by the Company. This risk and its mitigations are described further in note 5(a) to the financial statements.

2.1

Market risk

The Company is exposed to market risk through its investments in financial assets. Market risk arises from fluctuations in asset prices due to movements in interest rates, currencies and other economic variables.

Key risk mitigants and controls

The Company's investment strategy is relatively conservative, designed to preserve capital and limit volatility from market fluctuations while still delivering an acceptable return. Exposure to market risk is managed through regular monitoring of investment performance and returns, employing expert fund managers across diversified asset classes, investing in high-quality investments , and oversight of the Company's investment strategy and performance by the Investment Committee. The investment strategy rests on the two main objectives for the fund, namely stability and liquidity, with the asset allocation aligned to these. This risk and its mitigations are described further in note 5(b) to the financial statements.

3

Credit risk

The Company is exposed to credit risk arising from a counterparty failing to perform its financial obligations, including failure to perform them in a timely manner.

Key risk mitigants and controls

Exposure to credit risk predominantly arises from financial investments and commercial reinsurance contracts. These exposures are managed through the use of high-quality counterparties and setting appropriate investment limits with individual or group counterparts and reinsurance counterparts. This risk and its mitigations are described further in note 5(b) to the financial statements.

4

Liquidity risk

The Company is exposed to liquidity risk through its investments in financial assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with the recognition that they may not be called upon for long periods.

Key risk mitigants and controls

Exposure to liquidity risk is managed through holding assets in high-quality liquid investments, meeting any cash outflow by using the Company's funds, and then drawing on support provided by HM Treasury, should that be required. The commercial reinsurance programme contributes to the management of liquidity risk, creating additional liquidity following a large incident. This risk and its mitigations are described further in note 5(b) to the financial statements.

5

Operational risk

The Company is exposed to operational risk through inadequate controls or failures in people, processes and/or systems, including those from an external party.

Key risk mitigants and controls

Exposure to operational risk is managed through a risk management and control framework which seeks to ensure that the effectiveness of processes, systems and controls throughout the Company are assessed regularly, with gaps or deficiencies being addressed. Arrangements with external providers are monitored and their appropriateness assessed periodically. The Company maintains a strong and open relationship with its regulators and embraces a good conduct culture.

6

Emerging risks

Pool Re defines emerging risks as new or familiar risks that become apparent in new or unfamiliar conditions. These risks are identified, prioritised and managed through our emerging risk process. They are distinguished from our principal risks by the high degree of uncertainty as to how and when the risk might crystallise and its impact to Pool Re. Our top emerging risks include:

- **Evolving terrorism threat landscape:** The methodology and the way in which terrorism attacks are carried out changes continually, making it a difficult and subjective risk to manage and mitigate.
  - » **Impact:** If Pool Re does not keep pace with evolving threat from the point of view of coverage and definitions, there could be significant negative legal, reputational and financial consequences.
  - » **Mitigation:** The UK benefits from the presence of a strong countrywide terrorism mitigation infrastructure. Furthermore, the anticipated introduction of Martyn's law should enhance the protective and preparedness capabilities across all premises within scope. There is continuous engagement between Pool Re and the Counter Terrorism Police. In addition, Pool Re is actively trying to address the potential mismatch between policyholder expectations and the scope of cover provided and to develop its cover to meet the needs of policyholders.

- **Cyber risk:** Continuously emerging elements can be noticed in increasingly sophisticated attacks and in the widening of the attack surface, leveraging on the evolution of new technologies.
  - **Impact:** The impact is totally dependent on the specific cyber incident. Even with controls and mitigations in place, a user error or zero-day threat is not predictable and could materially impact Pool Re's operations.
  - **Mitigation:** Key controls include the security training and awareness programme and the maintenance of a resilient IT strategy and infrastructure, including third party cyber security checks.
- **Geopolitical tensions and conflicts:** Geopolitical tensions present a significant risk in today's interconnected world, driven by complex power dynamics, territorial disputes and ideological conflicts amongst nations.
  - **Impact:** There is a risk that such events could lead to heightened levels of disruption and migration, and a greater threat of terrorism in the UK.
  - **Mitigation:** In addition to the mitigation set out within point six (evolving terrorism threat landscape risk), Pool Re has developed a crisis management plan and regularly carries out its risk assessment process.
- **Artificial intelligence and disruptive technologies:** AI and other disruptive technologies continue to evolve and are becoming more widespread in their use, transforming industries, reshaping business models and challenging traditional practices.
  - **Impact:** The increase in adoption of AI, automation and other disruptive technologies creates a risk around the lack of transparency within decision-making, changes market dynamics and increases the complexity of cyber threats and the potential risks to data security.
  - **Mitigation:** Pool Re is exploring ways to introduce AI to its operation to drive efficiency, optimise processes and drive innovation. This will be undertaken once a thorough review of controls has been conducted, ensuring alignment with organisational objectives.
- **Government changes:** In the UK, elections took place in July 2024. Changes in Government may drive changes in Government policy and priorities which have a direct impact on Pool Re, people and businesses.
  - **Impact:** Given Pool Re's classification as an Arm's Length Body organisation and its reliance on Government guarantees, a change of direction may have a direct impact on Pool Re's business model.
  - **Mitigation:** Pool Re maintains a strong engagement with the Government and political parties. This includes periodic meetings and regular review meetings.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POOL REINSURANCE COMPANY LIMITED

Opinion on financial statements

I have audited the financial statements of Pool Reinsurance Company Limited and its group for the year ended 31 March 2024 which comprise the

- Consolidated and Parent Company Statements of Financial Position as at 31 March 2024;
- Consolidated Statement of Profit or Loss, Consolidated and Parent Company Statements of Cash Flows and Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and the UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of the Pool Reinsurance Company Limited and its Group's affairs as at 31 March 2024 and its profit for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law, Practice Note 10 '*Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022).* My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of Pool Reinsurance Company Limited and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities

Authorising legislation	Companies Act 2006
HM Treasury and related authorities	Managing Public Money
	Framework agreement between HM Treasury and Pool Reinsurance Company Limited

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Pool Reinsurance Company Limited and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included obtaining sufficient audit evidence to conclude that:

- The directors have a reasonable expectation that Pool Reinsurance Company Limited has sufficient resources to continue operating for the foreseeable future taking account of the size of its investment fund and the existence of the Retrocession Agreement with HM Government.
- The directors' assessment of the going concern basis of accounting is appropriate in the circumstances.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Pool Reinsurance Company Limited and its group'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 relation to the entity's reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my 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 auditor, 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 were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of fraud through management override of controls, an area where my work has not identified any matters to report.

The key audit matters were discussed with the Audit Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 61-64.

This is the first year of my audit of Pool Reinsurance Company Limited. In this year's report the following changes to the risks identified have been made compared to the report of the previous auditor:

- IFRS 17 has been implemented by Pool Reinsurance Company Limited in 2023-24 including the restatement of comparative amounts. I have therefore recognised a new key audit matter in relation to significant risks associated with IFRS 17 implementation.

IFRS 17 implementation

Description of risk

IFRS 17, *Insurance Contracts,* became effective for accounting periods beginning on or after 1 January 2023, replacing IFRS 4. As a result, Pool Reinsurance Company Limited has adopted IFRS 17 for the first time in these financial statements.

The transition to IFRS 17 has introduced new requirements for the presentation of insurance activities in the financial statements and significant changes to the recognition and measurement of insurance balances and transactions requiring significant judgements. In addition, management needed to make changes to their internal models and reporting processes to implement this change, giving rise to an inherently higher level of risk of error.

As a result, I consider IFRS 17 implementation to be a key audit matter which is considered to be one of the most significant assessed risks of material misstatement. IAS 8, *Accounting policies, Changes in Accounting Estimates and Errors,* requires that when the impact of adopting a new standard would be material to the financial statements, comparatives should be restated. As a result, the Statements of Financial Position as at 1 January 2022 and 31 March 2023 and the comparatives for the 15 months ended 31 March 2023 have been restated.

As at 31 March 2024, Pool Reinsurance Company Limited recognised reinsurance contract liabilities of £353.9m (31 March 2023 restated: £362.2m), insurance revenue of £262.7m for the year ended 31 March 2024 (15 months ended 31 March 2023 (restated): £354.9m) and reinsurance expenses of £276.5m (15 months ended 31 March 2023 (restated): £303.0m).

Note 3 (a) to the financial statements explains how management has adopted the new standard setting out the changes to the classification and measurement of insurance balances and related changes to presentation and disclosure. Note 3 (e) sets out the accounting policies applied and the estimates and judgements that management consider to be the most significant are explained in note 4.

In adopting IFRS 17, Pool Reinsurance Company Limited needed to implement new approaches to accounting for premiums, the associated contract assets and liabilities and related disclosures for reinsurance issued and held. The application of the standard required judgement to be exercised, for example in determining contract boundaries, application of the premium allocation approach to groups of contracts that are not automatically eligible and for assessing whether reinsurance contracts issued are onerous.

I considered the key risks in relation to the adoption of IFRS 17 to be as follows:

- Inappropriate accounting policies for recognition of reinsurance revenue, expenses and related liabilities could be selected;
- Reinsurance contracts issued and held are not appropriately assessed against IFRS 17;
- The presentation and disclosure of these contracts is not in accordance with the requirements of IFRS 17; and
- That misstatements occur in the supporting modelling due to inappropriate methods, data, assumptions, or calculation errors.

I did not identify a significant risk in relation to insurance claims and related liabilities as Pool Reinsurance Company Limited has not experienced any loss events, nor received any claims in the current or previous financial year.

These risks apply to both the parent and the group.

How the scope of my audit responded to the risk	I understood and evaluated the design and implementation of key controls over the adoption of IFRS 17 and accounting for related insurance and reinsurance liabilities. I also performed the following procedures: • I assessed the appropriateness of the transition approach adopted, including whether the judgements, methodologies and assumptions applied by management in determining its accounting policies are in accordance with IFRS 17. • I reviewed the key terms and conditions of each group of reinsurance contracts issued or held to assess whether these met the definition of an insurance contract under IFRS 17, whether contract boundaries and automatic eligibility for the premium allocation approach had been appropriately determined and to understand the sources of variability in contractual cashflows. • I reviewed and challenged management's assessment of whether reinsurance contracts issued were onerous considering the facts and circumstances. Our review considered Pool Reinsurance Company Limited's previous claims history, its latest threat analysis and understanding of approaches used by other catastrophe reinsurers. • I reviewed and challenged management's assessment of eligibility for the premium allocation approach (PAA) for contracts that were not automatically eligible. As part of my assessment, I reviewed the methodology used for PAA eligibility testing, the reasonableness of the scenarios considered and, where necessary, validated management's output against an independent comparator model. • I assessed the appropriateness of the methodology used to determine the discount rates used for PAA eligibility assessments and the measurement of reinsurance liabilities and confirmed those rates had been accurately reflected in management's models. • I tested the models used to calculate Pool Reinsurance Company Limited's insurance and reinsurance contract liability balances, considering the appropriateness of key assumptions and testing input data back to supporting evidence. • I reviewed the presentation and disclosure of insurance related balances with support from my external financial reporting specialists to assess compliance with the requirements of IFRS 17 and wider industry practice. • I engaged an independent actuary as an auditor's expert and financial reporting specialists with experience in the insurance sector to support my work where I deemed this appropriate.
Key observations	Based on the work performed and evidence obtained, I found that the judgements made by management in adopting IFRS 17, and consequently the resulting measurements and disclosures in the financial statements. were appropriate.

Investments portfolio

Description of risk

Pool Reinsurance Company Limited's investment fund, valued at £6.9bn as at the reporting date, is dominated by its portfolio of debt securities (mostly government and corporate bonds), which make up around 81% of the total fund value. These, alongside a smaller portfolio of equities, are actively traded, with £5.8 billion of sales and £5.7 billion of purchases recorded in the Statement of Cash Flows during 2023-24 and are measured at fair value through profit or loss under IFRS 9, Financial Instruments. Pool Reinsurance Company Limited's investments are managed by external investment managers and custodians who provide pricing information for financial reporting purposes.

These securities can usually be valued without significant subjectivity or complex modelling. However, given the large values, even a low rate of error in recording trades or pricing assets could, across the portfolio, lead to a material misstatement. There is also a risk in such a large portfolio with frequent trading that not all securities reported in the Statement of Financial Position belong to the Company. As a result, I consider the valuation and existence of these investments to be a key audit matter and, in relation to the debt securities portfolio specifically, one of the most significant assessed risks of material misstatement.

I consider the key risks in relation to the valuation and existence of debt instruments to be as follows:

- Trading transactions (purchases and sales) may be recognised inappropriately, or may not have occurred;
- Investments may have been recognised that Pool Reinsurance Company Limited is not party to;
- Fair values may not be compliant with the financial reporting framework, or reported inaccurately; and
- Related disclosures may be inadequate or inaccurately prepared.

These risks apply to both the parent and the group. The scope of my audit work also included Pool Reinsurance Company Limited's holdings in equities, mutual funds and venture capital funds, which I did not consider to be significant risks of material misstatement. Further details of the investments including the valuation techniques applied by management are disclosed in note 5 and 11 of the financial statements.

How the scope of my audit responded to the risk	I understood and evaluated the design and implementation of key controls in place to mitigate these risks, including those operating at service organisations (including asset custodians) through review of service auditor reports and Pool Reinsurance Company Limited's complementary controls. I also performed the following procedures to address the significant risks of material misstatement: • I obtained independent confirmation of the investments held at the year end from the asset custodians, reconciling these to investment manager reports and the financial statements. • I independently recalculated asset prices at 31 March 2024 using third party pricing sources, reviewing alternative sources of evidence and performing enhanced risk assessment procedures for the small minority of assets where an independent price could not be obtained. • I evaluated whether management had made appropriate judgements regarding the classification of investments under the fair value hierarchy. • I tested samples of sales and purchases to confirm that they had been accurately recorded; and • I reviewed the related disclosures against the requirements of the financial reporting framework to confirm that they had been prepared accurately based on the underlying records and were complete. In addition, I performed further audit procedures to independently confirm the existence of Pool Reinsurance Company Limited's equity and fund holdings and to assess that the valuations were reasonable.
Key observations	Based on the work performed and evidence obtained, I found that trading transactions had been recorded appropriately and that the associated balances reported in the financial statements existed and were valued appropriately.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for Pool Reinsurance Company Limited and its Group's financial statements as a whole as follows:

	Group	Parent company
Materiality	£98 million	£97 million
Basis for determining materiality	1.5% of net assets of £6.5 billion	1.5% of net assets of £6.5 billion reduced to ensure this is below group materiality.
Rationale for the benchmark applied	I have based materiality on net assets since the funds available to Pool Reinsurance Company Limited to meet potential future claims are fundamental to the group and company's operations and purpose and, in my view, are of most interest to the primary users of the accounts.	

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 65% of Group materiality for the 2023-24 audit. This takes into consideration the fact that it is my first year auditing the group and the parent company,

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

There are no such unadjusted audit differences to report.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of Pool Reinsurance Company Limited and its Group and its environment, including the Group wide controls, and assessing the risks of material misstatement at the Group level.

The Group has one significant component being the parent company. Pool Reinsurance Company Limited's subsidiaries are immaterial to the group individually and in aggregate.

My work was therefore focussed on the audit of the parent company which covered substantially all of the Group's assets and net expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the Group financial statements as a whole.

Other Information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

As prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements; and

Other matters

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury's Government Financial Reporting Manual.
- the parts of the Annual Report subject to audit have been properly prepared in accordance with HM Treasury's Government Financial Reporting Manual.

Matters on which I report by exception

In the light of the knowledge and understanding of Pool Reinsurance Company Limited and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Governance Statement relating to Pool Reinsurance Company Limited and its Group's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 79;

- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 79;
- Directors' statement on fair, balanced and understandable set out on page 79;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 80;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 80; and
- The section describing the work of the audit committee set out on page 79.

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officers' Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Pool Reinsurance Company Limited from whom the auditor determines it necessary to obtain audit evidence.
- preparing Group financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing the Remuneration Report and Staff Report in accordance with HM Treasury's Government Financial Reporting Manual;
- preparing the Annual Report in accordance with the Companies Act 2006; and
- assessing Pool Reinsurance Company Limited and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK).

My 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 a report that includes my 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of Pool Reinsurance Company Limited and its Group's accounting policies, key performance indicators and performance incentives.
- inquired of management, Pool Reinsurance Company Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Pool Reinsurance Company Limited and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Pool Reinsurance Company Limited and its Group's controls relating to the Pool Reinsurance Company Limited's compliance with the Companies Act 2006, Managing Public Money, the Financial Services and Markets Act 2000, the Financial Conduct Authority Handbook and the Prudential Regulation Authority Rules;
- inquired of management, Pool Reinsurance Company Limited's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Pool Reinsurance Company Limited and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Pool Reinsurance Company Limited's and Group framework of authority and other legal and regulatory frameworks in which Pool Reinsurance Company Limited and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Pool Reinsurance Company Limited and Group. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law, tax Legislation, the Financial Services and Markets Act 2000, the Financial Conduct Authority Handbook and the Prudential Regulation Authority Rules.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and

I addressed the risk of fraud through management override of controls testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Steve Young (Senior Statutory Auditor)
26 July 2024

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP


FINANCIAL STATEMENTS
CLYDEPORT

04

Consolidated statement of profit or loss

For the year ended 31 March 2024

	Notes	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000 Restated[1,2]
Insurance revenue	6	262,658	354,859
Insurance service expenses	6	(1,233)	(1,115)
Net expenses from reinsurance contracts held	6	(276,545)	(303,042)
Insurance service result		**(15,119)**	**50,702**
Investment result	7	441,272	29,442
Finance expenses from reinsurance contracts held	7	(3,018)	(1,870)
Net insurance and investment result		**423,134**	**78,274**
Other operating income		51	69
Other operating expenses	8	(18,293)	(19,773)
Total other income and operational expenses		**(18,242)**	**(19,704)**
Profit before tax		**404,892**	**58,570**
Tax (expense)/credit	10	(84,876)	25,508
Profit for the year		**320,016**	**84,079**

Notes:

1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See Note 3 for further details.

2 - For the comparative period, the Group reported a 15-month period from 1 January 2022 to 31 March 2023. Hence the amounts presented are not directly comparable. See Note 2 for further details.

The above results all relate to continuing operations and to risks located in the United Kingdom.

There were no amounts recognised in other comprehensive income in the current or preceding periods other than those included in the consolidated statement of profit or loss. Therefore, no statement of other comprehensive income has been presented.

Company number: 2798901

The notes on pages 126 to 182 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 March 2024

	Notes	31 March 2024 £000	31 March 2023 £000 Restated[1]	1 January 2022 £000 Restated[1]
ASSETS				
Property, plant and equipment	*12*	1,282	1,669	2,299
Financial assets carried at fair value	*11*	6,860,729	6,553,921	6,796,189
Insurance contract assets	*15(i)*	140	145	30
Reinsurance contract assets	*15(ii)*	4,577	558	6,586
Investment and other receivables	*14*	141,252	134,839	40,617
Current tax assets		630	3,463	8,513
Cash and cash equivalents	*13*	272,001	168,498	101,712
Total assets		**7,280,612**	**6,863,093**	**6,955,946**
EQUITY AND LIABILITIES				
Retained earnings	*18*	6,541,827	6,254,902	6,242,843
Total equity		**6,541,827**	**6,254,902**	**6,242,843**
LIABILITIES				
Deferred tax liabilities	*17*	59,796	10,534	39,826
Insurance contract liabilities	*15(i)*	64,171	66,604	61,943
Reinsurance contract liabilities	*15(ii)*	353,866	362,196	553,058
Financial liabilities carried at fair value	*11*	25,371	7,804	11,597
Investment and other payables	*16*	235,581	161,053	46,680
Total liabilities		**738,784**	**608,191**	**713,105**
Total equity and liabilities		**7,280,612**	**6,863,093**	**6,955,946**

Notes:
1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See Note 3 for further details.

The financial statements on pages 122 to 125 were approved by the Board of Directors on 25 July 2024 and signed on its behalf by:

Tom Clementi
Chief Executive Officer

Company number: 2798901

The notes on pages 126 to 182 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2024

	Notes	£000 Restated[1,2]
Balance at 1 January 2022, as previously stated		**6,214,782**
Impact of initial application of IFRS 17	*3(a)(i)*	28,061
Restated balance at 1 January 2022		**6,242,843**
Restated profit for the period	*3(a)(i)*	84,079
Dividends paid to Members	*20*	(72,018)
Restated balance at 31 March 2023		**6,254,902**

Balance at 1 April 2023		6,254,902
Profit for the year		320,016
Dividends paid to Members	*20*	(33,093)
Balance at 31 March 2024		**6,541,827**

Notes:

1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See Note 3 for further details.

2 - For the comparative period, the Group reported a 15-month period from 1 January 2022 to 31 March 2023. Hence the amounts presented are not directly comparable. See Note 2 for further details.

The notes on pages 126 to 182 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2024

	Notes	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000 Restated[1,2]
OPERATING ACTIVITIES			
Profit before tax		404,892	58,570
ADJUSTMENTS FOR:			
Net foreign exchange loss/(gain)		106,757	(309,102)
Net (gains)/losses on financial assets/liabilities carried at fair value		(377,207)	426,165
Income from financial assets carried at fair value		(180,435)	(157,761)
Depreciation	*12*	520	672
Interest expense		3,034	1,946
CHANGES IN OPERATIONAL ASSETS AND LIABILITIES:			
Changes in insurance and reinsurance contract assets/liabilities		(14,776)	(180,289)
Proceeds from sale of financial assets carried at fair value		5,781,949	11,475,032
Purchase of financial assets carried at fair value		(5,677,127)	(11,371,156)
Increase in investment and other receivables		(17,562)	(2,950)
(Decrease)/increase in investment and other payables		(7,164)	50,915
Cash generated from operations		**22,881**	**(7,957)**
Taxation (paid)/received		(32,782)	1,266
Interest paid		(25,932)	(31,343)
Interest received		145,454	123,166
Dividends received		16,667	34,594
Net cash flows from operating activities		**126,288**	**119,726**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	*12*	(134)	(42)
Net cash flows used in investing activities		**(134)**	**(42)**
FINANCING ACTIVITIES			
Dividends paid to Members	*20*	(33,093)	(72,018)
Lease payments	*16*	(441)	(552)
Net cash flows used in financing activities		**(33,534)**	**(72,570)**
Net increase in cash and cash equivalents		**92,621**	**47,114**
Opening cash and cash equivalents balance	*13*	**168,498**	**101,712**
Net increase in cash and cash equivalents		92,621	47,114
Effect of exchange rate fluctuations on cash and cash equivalents		7,596	19,671
Closing cash and cash equivalents balance	*13*	**268,714**	**168,498**

Notes:

1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See Note 3 for further details.

2 - For the comparative period, the Group reported a 15-month period from 1 January 2022 to 31 March 2023. Hence the amounts presented are not directly comparable. See Note 2 for further details.

The notes on pages 126 to 182 form an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2024

1. General information

Pool Reinsurance Company Limited (the Company) is a mutual company limited by guarantee, incorporated in England and Wales, with its principal place of business at Equitable House, 47 King William Street, London, EC4R 9AF. Its principal activity is to provide reinsurance in respect of losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism within England, Wales and Scotland.

The Company is the parent of two subsidiary undertakings, Pool Re Services Limited and Pool Re Solutions Limited. Both subsidiaries are incorporated in England and Wales and are 100% owned by the Company (the three entities together constitute the Group).

2. Basis of preparation

The financial statements of the Company, and the Group's consolidated financial statements, have been prepared in accordance with United Kingdom-adopted International Accounting Standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in accordance with the provisions of the Companies Act 2006 as applicable to companies reporting under international accounting standards.

The financial statements have been prepared in accordance with the Accounts Direction given by HM Treasury on 14 December 2023 in accordance with the Framework Agreement between HM Treasury and the Group. Under this direction, in addition to the Companies Act 2006, the Group also has regard for the requirements and principles identified in the Government Financial Reporting Manual (the FReM) issued by HM Treasury for the financial year for which these financial statements are being prepared to the extent that they clarify or build on the requirements of the Companies Act in relation to the financial statements and selected disclosures within the Annual Report only.

For the comparative period ending 31 March 2023, the Group presented a 15-month reporting period to align its period end date of 31 March with that of Government following the Group's classification as an Arm's Length Body (ALB) of HM Treasury and the signing of the Framework Agreement between HM Treasury and the Group on 5 May 2022. The information contained in the Group's Annual Report and Accounts is consolidated into the Annual Report and Accounts of HM Treasury. Given that comparative information presented in these financial statements and accompanying notes is reported on a 15-month basis, amounts presented are not directly comparable.

These financial statements for the period ending 31 March 2024 are the first the Group has prepared on a consolidated basis. The two subsidiary undertakings, Pool Re Services Limited and Pool Re Solutions Limited, commenced trading on 1 October 2023, and as the Company has control of both subsidiary companies, they are consolidated within these financial statements. Further details on the Group structure are disclosed in note 19. Financial statements for the Company are disclosed following the notes to these financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2024

Due to the immaterial nature of the subsidiary companies, the notes to these financial statements have been disclosed on a consolidated basis. Additional disclosure of information relating to the Company has been provided where management judges it to be of benefit to the users of the accounts.

The financial statements have been prepared on a historical cost basis, except for certain financial instruments, including derivative instruments, which are measured at fair value. Investments in subsidiaries reported in the Company financial statements are measured using the equity method. The Statement of Financial Position of the Group has been presented in order of increasing liquidity. All amounts presented in the Statement of Profit or Loss relate to continuing operations.

The preparation of financial statements in conformity with United Kingdom-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Any areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The Group's principal activity as a monoline reinsurer is the provision of reinsurance in respect of losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism within England, Wales and Scotland. Due to the single line of business and geographic concentration, a segmental analysis of the Group's (re)insurance contracts, as prescribed by IAS 1.29-31 and IFRS 17.96, has not been deemed necessary for disclosure in these financial statements.

The Group undertakes an annual capital assessment, as approved by the Board, to determine its capital resource requirements. The assessment considers the Group's strategic, insurance, market, credit, liquidity and operational risks and the impact of those risks on the Group's capital requirements.

Following the completion of HM Treasury's five-year review of the scheme in early 2022, an updated Retrocession Agreement was entered into, extending the unlimited guarantee. For further details on the Retrocession Agreement, see note 3(e). The current assessment confirms that the Group has adequate capital resources to meet its liabilities as they fall due.

Furthermore, this assessment is consistent with the conclusions reached by the PRA, as set out in its direction dated 10 November 2020, which stated that the Company's capital requirement is zero. The assessment, which remains valid until 1 January 2026, is based upon the PRA's recognition that the capital resources available to the Group include capacity available from HM Treasury under the Retrocession Agreement.

Based on current assessments, management has determined that the financial statements should be prepared on a going concern basis for the year ending 31 March 2024.

The financial statements of the Company and Group are presented in pound sterling and rounded to thousands. The functional currency of the Company and Group is the pound sterling.

Notes to the consolidated financial statements for the year ended 31 March 2024

3. Summary of significant accounting policies

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

a) Adoption of new accounting standards, interpretations and amendments to published standards

i) IFRS 17: Insurance contracts

These financial statements, for the year ended 31 March 2024, are the first the Group has prepared in accordance with IFRS 17 Insurance Contracts. For periods up to and including the period ended 31 March 2023, the Group prepared financial statements in accordance with IFRS 4 Insurance Contracts, the interim standard issued by the International Accounting Standards Board for insurance contracts.

The Group has prepared financial statements that comply with IFRS 17 as at 31 March 2024, together with comparative data for the 15-month period ending 31 March 2023, as described below. In preparing the financial statements, the Group's opening Statement of Financial Position was prepared as at 1 January 2022. This note explains the principal adjustments made by the Group in restating its financial statements.

IFRS 17 sets out the principles for the recognition, measurement and disclosure of insurance contracts. IFRS 17 replaces the former standard, IFRS 4 Insurance Contracts, and is effective for annual reporting periods beginning on or after 1 January 2023, with the Group adopting the standard for its reporting period beginning 1 January 2022.

The Group has applied IFRS 17 using the full retrospective transitional provisions. The Group has labelled the restated comparative information with the heading 'restated'. The nature of the changes in accounting policies can be summarised as follows:

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Group's insurance contracts issued or reinsurance contracts held. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group.

Under IFRS 17, the liability for incurred claims (LIC) is comparable to the liabilities for claims reported, claims adjustment expenses, and claims incurred but not reported under IFRS 4, and the liability for remaining coverage (LRC) is comparable to unearned premium liabilities for premiums received.

IFRS 17 requires a current measurement model where estimates are remeasured each reporting period. Under the General Measurement Model (GMM), contracts are measured using the building blocks of discounted probability-weighted fulfilment cash flows, including an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

Notes to the consolidated financial statements for the year ended 31 March 2024

A simplified measurement model, the Premium Allocation Approach (PAA), can be applied if certain eligibility criteria are met. Management applies significant judgement in assessing whether applying the PAA to groups of contracts with a coverage period extending beyond 12 months would produce a measurement of the LRC that would not differ materially from the one that would be produced applying the GMM. Management has concluded that all insurance contracts issued, and reinsurance contracts held meet the criteria and the PAA is applied to measure them, given that:

- Whilst insurance contracts issued by the Group have coverage periods which extend beyond 12 months, qualitative assessment of these contracts determined that using the PAA would produce a measurement of the LRC which would not be materially different from the LRC produced using the GMM. These contracts are therefore measured by applying the PAA under IFRS 17.53(a);
- One reinsurance contract held has a coverage period of 12 months in duration and therefore automatically qualifies for the PAA under IFRS 17.53(b); and
- Whilst other reinsurance contracts held by the Group have coverage periods which extend beyond 12 months, modelling of these contracts shows that using the PAA produces a measurement of the Asset for Remaining Coverage (ARC) which is not materially different from the ARC produced using the GMM. These contracts are therefore measured by applying the PAA under IFRS 17.53(a).

The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under IFRS 4 in the following key areas:

- For insurance contracts issued, the LRC reflects premiums received less deferred insurance acquisition cash flows (unless expensed as incurred) and less amounts recognised in revenue for insurance services provided.
- Measurement of the LRC includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the LRC involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision). For the current and comparative periods, the Group did not have any onerous contracts.
- For reinsurance contracts held, the same principles apply as those for insurance contracts issued and have been adapted to reflect the specific features of reinsurance held, where measurement of the ARC (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Group's classification and measurement of insurance contracts issued, and reinsurance contracts held, is detailed in note 3(e).

Notes to the consolidated financial statements for the year ended 31 March 2024

Changes to presentation and disclosure

The presentation in the Statement of Profit or Loss changes under IFRS 17, with premium and claims figures being replaced with insurance revenue, insurance service expenses and insurance finance income and expenses. Gross and net written premium is no longer presented on the face of the Statement of Profit or Loss.

For presentation in the Statement of Financial Position, the Group aggregates portfolios of insurance contracts issued and reinsurance contracts held and presents separately:

- Portfolios of insurance contracts that are assets.
- Portfolios of reinsurance contracts held that are assets.
- Portfolios of insurance contracts that are liabilities.
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements (IFRS 17.14-24). The Group provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from insurance contracts issued and reinsurance contracts held.
- Significant judgements, and changes in those judgements made when applying the standard.

Transition

On transition date, 1 January 2022, the Group:

- Has identified, recognised, and measured each group of insurance contracts issued and reinsurance contracts held as if IFRS 17 had always applied;
- Derecognised any existing balances that would not exist had IFRS 17 always applied;
- Recognised any resultant net difference in equity; and
- Performed a PAA eligibility assessment for the 2021 and prior unexpired groups of insurance contracts issued, and reinsurance contracts held with coverage periods of longer than 12 months.

The Group was able to apply IFRS 17 retrospectively to identify, recognise, measure and calculate assets for insurance acquisition cash flows at the transition date.

Notes to the consolidated financial statements for the year ended 31 March 2024

The following tables summarise the impacts of adopting IFRS 17 on the Group's financial statements.

Statement of Financial Position as at 1 January 2022

	As previously stated – IFRS 4 £000	Adjustments £000	As restated – IFRS 17 £000
ASSETS			
Reinsurance assets[1]	76,833	(76,833)	-
Investment and other receivables[2]	117,722	(77,105)	40,617
Insurance contract assets[2,3]	-	30	30
Reinsurance contract assets[1]	-	6,586	6,586
		(147,322)	
LIABILITIES			
Reinsurance liabilities[3]	139,017	(139,017)	-
Investment and other payables[4]	698,046	(651,366)	46,680
Insurance contract liabilities[2,3]	-	61,943	61,943
Reinsurance contract liabilities[1,4,5]	-	553,058	553,058
		(175,381)	
EQUITY			
Retained earnings	6,214,782	28,061	6,242,843
		28,061	

Notes:

1 - Reinsurers' share of unearned premium reserves of £76,833k reclassified as reinsurance contract assets (£6,586k) and reinsurance contract liabilities (£70,247k).

2 - Premium receivables of £76,805k reclassified as insurance contract liabilities and accrued premium income of £300k reclassified as insurance contract assets.

3 - Gross unearned premium reserves of £139,017k reclassified as insurance contract liabilities (£138,747k) and insurance contract assets (£270k).

4 - Reinsurance creditors of £651,366k reclassified as reinsurance contract liabilities.

5 - Impact of initial application of IFRS 17 of £28,061k recognised in reinsurance contract liabilities.

Notes to the consolidated financial statements for the year ended 31 March 2024

Statement of financial position as at 31 March 2023

	As previously stated – IFRS 4 £000	Adjustments £000	As restated – IFRS 17 £000
ASSETS			
Reinsurance assets[1]	103,868	(103,868)	-
Investment and other receivables[2]	194,960	(60,121)	134,839
Insurance contract assets[2,3]	-	145	145
Reinsurance contract assets[1,2,4]	-	558	558
		(163,286)	
LIABILITIES			
Reinsurance liabilities[3]	125,550	(125,550)	-
Investment and other payables[4]	640,450	(479,397)	161,053
Insurance contract liabilities[2,3]	-	66,604	66,604
Reinsurance contract liabilities[1,4,5]	-	362,196	362,196
		(176,147)	
EQUITY AND LIABILITIES			
Retained earnings	6,242,041	12,861	6,254,902
		12,861	

Notes:

1 - Reinsurers' share of unearned premium reserves of £103,868k reclassified as reinsurance contract assets (£5,090k) and reinsurance contract liabilities (£98,778k).

2 - Premium receivables of £58,642k reclassified as insurance contract liabilities, accrued premium income of £450k reclassified as insurance contract assets and acquisition costs of £1,030k reclassified as reinsurance contract assets.

3 - Gross unearned premium reserves of £125,550k reclassified as insurance contract liabilities (£125,245k) and insurance contract assets (£305k).

4 - Reinsurance creditors of £473,836k reclassified as reinsurance contract liabilities and £5,561 reclassified as reinsurance contract assets.

5 - Impact of initial application of IFRS 17 of £12,861k recognised in reinsurance contract liabilities.

Notes to the consolidated financial statements for the year ended 31 March 2024

Statement of profit or loss for the 15 months to 31 March 2023

	As previously stated – IFRS 4 £000	Adjustments £000	As restated – IFRS 17 £000
Insurance revenue	354,859	-	354,859
Insurance service expenses	-	(1,115)	(1,115)
Net expenses from reinsurance contracts held	(266,449)	(36,592)	(303,042)
Insurance service result	**88,409**	**(37,707)**	**50,702**
Investment result	6,847	22,595	29,442
Finance expenses from reinsurance contracts held	-	(1,870)	(1,870)
Net insurance and investment result	**95,257**	**(16,982)**	**78,274**
Other income	69	-	69
Operational expenses	(21,555)	1,783	(19,773)
Total other income and operational expenses	**(21,486)**	**1,783**	**(19,704)**
Profit before tax	**73,770**	**(15,200)**	**58,570**
Tax expense	25,508	-	25,508
Profit for the year	**99,279**	**(15,200)**	**84,079**

Statement of cash flows for the 15 months to 31 March 2023

	As previously stated – IFRS 4 £000	Adjustments £000	As restated – IFRS 17 £000
Net cash flows from operating activities	119,727	-	119,727
Net cash flows used in investing activities	(42)	-	(42)
Net cash flows used in financing activities	(72,570)	-	(72,570)
Net increase in cash and cash equivalents	**47,114**	**-**	**47,114**
Cash and cash equivalents at 1 January 2022	101,712	-	101,712
Effect of exchange rate fluctuations on cash and cash equivalents	19,671	-	19,671
Cash and cash equivalents at 31 March 2023	**168,498**	**-**	**168,498**

Notes to the consolidated financial statements for the year ended 31 March 2024

b) Future accounting developments

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

i) IFRS 18: Presentation and Disclosure in Financial Statements
IFRS 18 Presentation and Disclosure in Financial Statements was issued by the IASB on 9 April 2024 and is effective for annual periods beginning on or after 1 January 2027. The standard sets out the requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The application of IFRS 18 is not expected to have a material impact on the presentation of the Group's financial statements.

ii) IFRS 19: Subsidiaries without Public Accountability
IFRS 19 Subsidiaries without Public Accountability was issued by the IASB on 9 May 2024 and is effective for annual reporting periods beginning on or after 1 January 2027. The Standard is voluntary and sets out reduced disclosure requirements for eligible subsidiaries.

The application of IFRS 19 is not expected to have a material impact on the presentation of the Group's financial statements.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities that are controlled by the Group as at 31 March 2024. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group controls another entity, the existence and effect of the potential voting rights that are currently exercisable are considered. The financial statements of subsidiaries are included in the consolidated financial statements only from the date that control commences until the date that control ceases.

All intercompany transactions, balances, income and expenses between Group entities are eliminated on consolidation.

The Company applies the equity method to account for subsidiaries. Investments in subsidiaries are initially recognised at cost and adjusted thereafter for the post-acquisition change in the Company's share of the subsidiaries' net assets (share of results).

The controlled entities listed in note 19 are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts under S479A-479C. The Company has guaranteed the debts and liabilities of the controlled entities at the reporting date in accordance with Section 479C of the Companies Act 2006.

d) Foreign currency

Foreign currency transactions are translated into pound sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss for the period.

Notes to the consolidated financial statements for the year ended 31 March 2024

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

e) Insurance contracts

The accounting policy set out below is applicable to insurance contracts that are issued by the Group and reinsurance contracts held by the Group, unless indicated otherwise.

i) Definition and classification

Insurance contracts are defined as those contracts under which the Group accepts significant insurance risk from a policyholder. Significant insurance risk criteria are met if, and only if, an insured event could cause an insurer to make significant additional payments to a policyholder in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

The Group has reviewed the nature of the inwards and outwards (re)insurance business it transacts. It is satisfied that all such business transfers significant insurance risk and has therefore treated the relevant contracts as insurance contracts, as previously defined by IFRS 4, for the purposes of these financial statements.

The Group's financial position and its obligations to meet claims under its agreements with Members are assured in that the Group has entered into a Retrocession Agreement with HM Treasury (HM Treasury Retrocession Agreement), under which the Group would draw funds from HM Treasury if claims were to exceed the Group's resources. The HM Treasury Retrocession Agreement specifies circumstances in which amounts paid by HM Treasury will be repayable by the Group, which would be subject to agreement between the parties. However, in certain circumstances when the HM Treasury Retrocession Agreement is terminated, HM Treasury is not entitled to repayment of amounts it has paid to the Group.

Premium is payable to HM Treasury for providing retrocession cover only when the funds standing to the credit of the Insurance Fund and the Investment Fund, as defined by the HM Treasury Retrocession Agreement, exceed £1bn. These funds are broadly equivalent to premiums received, investment income earned and investment gains, less investment losses, incurred claims, taxation and expenses, subject to certain differences in the timing of their recognition. The retrocession premium may become immediately payable, in certain circumstances, if the Group fails to comply with the conditions of the HM Treasury Retrocession Agreement.

ii) Level of aggregation

The Group's contracts are aggregated into the following portfolios:

Insurance contracts issued covering losses and damage from Acts of Terrorism; these insurance contracts are managed as two separate lines of business, with the risks relating to the classes of insurance contracts considered to be different. As such, the Group aggregates insurance contracts issued into two portfolios as follows:

- Class A: Property damage and business interruption; and
- Class B: Non-damage business interruption.

Reinsurance contracts held are grouped into portfolios at contract level, with reinsurance contracts measured at the individual contract level.

Notes to the consolidated financial statements for the year ended 31 March 2024

Portfolios are further divided based on expected profitability at inception into three categories:

- Onerous contracts, if any;
- Contracts with no significant risk of becoming onerous; and
- The remainder groups of contracts in the portfolio.

A group of insurance contracts is considered to be onerous at initial recognition if the fulfilment cashflows allocated to that group of contracts in total are a net outflow. This occurs if the present value of expected claims, attributable expenses and risk adjustment exceeds the premium. As all insurance contracts issued are measured under the PAA model, the Group takes the standard's default assumption that no groups are onerous unless facts and circumstances indicate otherwise. The Group has determined that it currently does not have contracts falling into the category of onerous contracts.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued.

The Group has set its cohorts at annual intervals based on underwriting year.

iii) Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

The Group considers the mid-point of each quarter as the recognition date for insurance contracts issued, being the proxy coverage start date for policies incepting during the quarter, as it receives premiums and the associated premium declaration from Members on a quarterly basis for all the policies incepted.

A group of reinsurance contracts held that covers the losses of insurance contracts issued are recognised at the earlier of:

- the beginning of the coverage period of the group or the initial recognition of any underlying insurance contract issued; or
- if the entity recognises an onerous group of underlying contracts before the beginning of the coverage period of the group of reinsurance contracts held – at the same time as the onerous group of underlying contracts if the Group entered into the related reinsurance contract held at or before that date.

The Group shall delay recognition of a group of reinsurance contracts held providing proportionate coverage until the underlying insurance contracts are recognised. Currently, the Group does not have proportionate contracts where underlying insurance contracts are incepted later than the beginning of the coverage period of reinsurance contracts held.

Currently, the Group recognises all reinsurance contracts held at the beginning of the coverage period of the group of contracts. At the moment there are no reinsurance contracts providing coverage for onerous groups of underlying insurance contracts and no underlying contracts incepting after coverage start date; therefore the Group has not

Notes to the consolidated financial statements for the year ended 31 March 2024

needed to apply IFRS 17.62A, which mandates to delay recognition until the inception date of the underlying insurance contract.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction.

Composition of the groups is not reassessed in subsequent periods.

iv) Derecognition and modification

An insurance contract issued is derecognised when it is:

- extinguished (i.e. when the obligation specified in the insurance contract issued expires or is discharged or cancelled); or
- the contract is modified, and certain additional criteria are met.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification of the contract as an adjustment to the relevant liability or asset for remaining coverage.

The Group has not identified any insurance contracts issued where modifications will result in significant changes in the risk and subsequent derecognition, derecognition of the contracts.

When a group of insurance contracts is derecognised, adjustments to remove related rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to the profit or loss statement:

- if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
- if the contract is transferred to a third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
- if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

v) Contract boundary

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

- the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- both of the following criteria are satisfied:
- the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and

Notes to the consolidated financial statements for the year ended 31 March 2024

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

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

vi) Measurement : Premium allocation approach

Initial measurement

The Group applies the PAA to all insurance contracts it issues and reinsurance contracts that it holds, because:

- the coverage period of each contract in the group is 12 months or fewer; or
- for contracts longer than 12 months, the Group has assessed possible future scenarios and reasonably expects that the measurement of the LRC for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the GMM.

For insurance contracts issued, on initial recognition, the Group measures the LRC as the amount of premiums received. For insurance contracts issued where the coverage period is greater than 12 months, insurance acquisition cash flows are deferred and recognised over the coverage period of contracts in a group. The Group does not currently incur any acquisition expenses related to the contracts it issues.

For reinsurance contracts held on initial recognition, the Group measures the ARC as the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer. For reinsurance contracts held, broker fees and commissions are recognised over the coverage period of contracts in a group along with premiums ceded.

Subsequent measurement

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- the LRC; and
- the LIC, comprising fulfilment cash flows related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- the remaining coverage;
- and the incurred recoveries (on incurred claims), adjusted for the effect of changes in the default risk of the reinsurer and a risk adjustment for non-financial risk.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- Increased for premiums received in the period.

Notes to the consolidated financial statements for the year ended 31 March 2024

- Decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period.

The Group does not incur insurance acquisition cash flows in respect of currently issued insurance contracts or any other relevant pre-recognition cash flows that may be included in subsequent measurement of LRC.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- Increased for ceding premiums paid in the period.
- Increased for any commissions paid to brokers or other parties.
- Decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.
- Decreased/increased for the effect of the time value of money in relation to significant financing components.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or has become onerous subsequently, the Group increases the carrying amount of the LRC, recognising a loss component, to the amounts of the excess of the fulfilment cash flows that relate to the remaining coverage of the group of contracts, over the carrying amount of the LRC of the group. The amount of such an increase is recognised in insurance service expenses.

Subsequently, the loss component is amortised over the coverage period of the group of contracts.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the ARC for reinsurance contracts held measured under the PAA is increased by the amount of expected recoveries that will be recognised in the profit or loss, with a loss recovery component being established or adjusted for that amount. The loss recovery component is calculated by multiplying the loss component recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

The Group currently does not have and does not expect to have contracts falling into the category of onerous contracts.

vii) Insurance revenue

As the Group provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period measures the transfer of promised services at an amount that reflects the portion of consideration the Group expects to be entitled to in exchange for those services.

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts. The amount of revenue recognised is calculated by using the most appropriate basis available, which is considered to be the eighths basis. This basis assumes premium received for a particular quarter represents policies which incept, on average, at the mid-point of the quarter.

Notes to the consolidated financial statements for the year ended 31 March 2024

viii) Insurance service expenses

Insurance service expenses include directly attributable insurance service expenses, including:

- incurred claims;
- other incurred directly attributable insurance service expenses;
- amortisation of insurance acquisition cash flows;
- changes that relate to past service; and
- changes that relate to future service (i.e. losses/reversal on onerous groups of contracts from changes in the loss components).

Currently, there are no claims handling costs as the Group has not incurred any claims during the year.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included in other operating expenses in the profit or loss.

ix) Net income/(expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income/(expenses) from reinsurance contracts held, comprising the following amounts:

- reinsurance expenses;
- incurred claims recovery;
- other incurred directly attributable insurance service expenses; and
- changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.

For groups of held reinsurance contracts measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

x) (Re)insurance finance income or expenses

(Re)insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within (re)insurance finance income or expenses are:

- interest accreted on the LIC;
- interest accreted on the LRC in relation to significant financing components; and
- the effect of changes in interest rates and other financial assumptions.

Notes to the consolidated financial statements for the year ended 31 March 2024

f) Employee benefits

The Group provides a range of benefits to employees, including a defined contribution pension plan and annual bonus arrangements.

i) Short-term benefits

Short-term benefits, including salaries, holiday pay, accrued bonuses and pension contributions, are recognised in the period in which employees provide the services to which the payments relate.

ii) Defined contribution pension plan

The Group operates a defined contribution pension plan for its employees. Under the pension plan the Group pays fixed contributions to an independently administered pension fund. Once the contributions have been paid, the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position.

iii) Annual bonus arrangements

The Group operates annual bonus plans for employees. An expense is recognised in profit or loss when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

iv) Long-term incentive plans

The Group operated a cash-settled long-term incentive plan for members of Senior Management which ceased on 1 January 2022. The plan was based on an individual's personal targets in developing the business and deferred over a period of in excess of three years. Payment may be reduced or forfeited in instances where an individual leaves employment or a material risk event occurs. Final payments under the plan will be discharged in 2025.

g) Expenses

All expenses are recognised on an accruals basis and are charged to profit or loss.

h) Tangible assets

Capital expenditure on computer equipment and office equipment is depreciated by equal instalments over the estimated useful lives of the assets. Expenditure on computer software is written off as incurred.

Property, plant and equipment are stated at historical purchase cost less accumulated depreciation and any impairment loss. Depreciation is calculated to write off the costs of tangible assets, less their residual values, over their expected useful lives using the straight-line basis. Fixtures and fittings are depreciated over the lease term of the office premises. Furniture is depreciated over five years and computer and telephone equipment over two years. At each reporting date, tangible assets are reviewed 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, where necessary, the carrying amount is adjusted accordingly.

Additions are included at their original purchase price plus any costs directly attributable to bringing the asset to its working condition for its intended use. Property, plant and equipment is 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 profit or loss.

i) Leased assets (the Group as lessee)

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date at which the asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made before the commencement date, less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Right-of-use assets are presented on the statement of financial position as property, plant and equipment.

The lease liabilities arising from a lease are initially measured at the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily identified, the discount rates set by HM Treasury and promulgated in Public Expenditure System (PES) papers as a suitable proxy. After the commencement date, the amount of the lease liability is increased to reflect interest charges and reduced for the lease payments made. The carrying amount of lease liabilities are remeasured if there is a modification of the lease, including a change in the lease term or a change in future lease payments. Lease liabilities are presented on the statement of financial position as investment and other payables.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, then the lease liability is re-measured using the changed cash flows and changed discount rate. Further, a corresponding adjustment is also made to the right-of-use asset.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or fewer and leases of low-value assets (i.e. leases with a value of less than £5k). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements for the year ended 31 March 2024

j) Current and deferred tax

Taxation is charged on investment income receivable plus realised and unrealised gains, less interest payable and investment expenses, for the period. Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date and adjustments to tax payable in prior periods.

Deferred tax is recognised in respect of all material temporary differences that have originated but not reversed at the balance sheet date where the transactions or events result in an obligation to pay more tax in the future or a right to pay less tax in the future, including revaluation gains and losses on investments recognised in profit or loss.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

k) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

This assumes that the transaction takes place in the principal market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Group takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price. If an asset measured at fair value has a bid price, the bid price is considered to best represent fair value.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note five (v).

l) Financial assets and liabilities

The Group classifies its financial assets and liabilities as i) financial assets/liabilities at fair value through profit or loss, ii) investment and other receivables and iii) investment and other payables. Management has classified on initial recognition, its financial assets held for investment purposes, at fair value through profit or loss (FVTPL). This is in accordance with the Group's documented investment strategy and consistent with the management and reporting of investment performance and risk to the Group's Directors on a fair value basis. The gains or losses arising from fair value changes on assets measured at FVTPL are recognised in profit or loss and presented within investment result in the period in which they arise.

The Group recognises a financial asset or financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. A financial asset is derecognised when either the contractual rights to the cash flows from the asset expire, or the asset is transferred, and the transfer qualifies for derecognition through an assessment of the contractual rights to receive cashflows and the extent to which the Group retains the risks and rewards of ownership. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Purchases and sales of financial assets are recognised at the trade date. Financial assets and liabilities are initially recognised at fair value. After initial recognition, financial assets and liabilities are measured as described below.

i) Financial assets/liabilities at fair value through profit or loss
Financial assets/liabilities are classified into this category at inception if managed and evaluated on a fair value basis in accordance with a documented strategy.

ii) Investment and other receivables
Receivables are non-derivative financial assets with fixed or determinable payments. Receivables are carried at amortised cost less any provision for impairment.

iii) Investment and other payables
Payables are initially recognised at fair value and then subsequently carried at amortised cost.

m) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently valued at fair value at each reporting date. Fair values are obtained from quoted market values and, if these are not available, valuation techniques including option pricing models are used as appropriate. Fair value changes in derivative financial instruments are recognised immediately in profit or loss.

n) Investment and other receivables

Investment and other receivables are comprised of pending settlement amounts for the disposal of investment assets, prepayments and accrued income.

o) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer. Cash at bank and in hand and deposits held at call with banks are measured at amortised cost.

p) Investment and other payables

Investment and other payables consist of pending settlement amounts for the acquisition of investment assets and accruals.

Notes to the consolidated financial statements for the year ended 31 March 2024

q) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

i) Non-financial assets
Objective factors that are considered when determining whether a non-financial asset (such as property, plant and equipment) may be impaired include, but are not limited to, the following:

- adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability;
- the likelihood of accelerated obsolesce arising from the development of new technologies and products; and
- the disintegration of the active market(s) to which the asset is related.

ii) Financial assets
An expected credit loss (ECL) model is applicable for all assets measured at amortised cost. The Group measures its receivables at amortised cost. The assessment of credit risk and the estimation of an ECL are unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward-looking aspect of IFRS 9 requires judgement as to how changes in economic factors affect ECLs. Impairment charges are recognised in the statement of profit or loss within operational expenses.

The ECL is a three-stage model based on forward-looking information regarding changes in credit quality since inception. Credit risk is measured using a probability of default (PD); exposure at default (EAD); and loss given default (LGD) as follows:

- PD is an estimate of the likelihood of default of the asset.
- EAD is an estimate of the exposure at that future default date, taking into account expected changes in the exposure after the reporting date.
- LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the exposure at default.

The three stages of ECL are defined and assessed as follows.

- Stage 1 – no significant increase in credit risk since inception, ECL is calculated using a 12-month PD.
- Stage 2 – a significant increase in credit risk since inception, ECL is calculated using a lifetime PD.
- Stage 3 – credit impaired, ECL is calculated using a lifetime PD.

A significant increase in credit risk is considered to have incurred when payments are 30 days past due, or earlier if other factors indicate the risk has increased significantly since inception. Financial assets are written off when there is no reasonable expectation of recovery on a case-by-case basis.

r) Investment return

Investment income is determined on an accruals basis. Realised gains or losses represent the difference between net sales proceeds and the purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the reporting date and the purchase price or, if previously valued, the fair value at the previous reporting date.

Adjustments are made in respect of investments realised during the year where unrealised gains or losses were previously recognised in profit or loss.

Dividend income is recognised when the right to receive payment is established.

s) Distributions

Distributions to the Group's Members are calculated in accordance with the terms of the HM Treasury Retrocession Agreement and are recognised in the financial statements for the period in which the distributions are declared and paid.

t) Related party transactions

Where the Group has entered into related party transactions, the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements are disclosed in the notes to the financial statements.

4. Critical accounting judgements and estimation uncertainty

The judgements and assumptions involved in the Group's accounting policies that are considered by management to be the most important and material to the preparation of these financial statements are discussed below. 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 under the circumstances.

a) Significant accounting judgements

Insurance contracts

i) Measurement model

IFRS 17 states that entities may adopt the PAA measurement model if at inception of the group of contracts, the entity reasonably expects that such a simplification would produce a measurement of the LRC for the group that would not differ materially from the one that would be produced under the GMM. All insurance contracts issued, and reinsurance contracts held by the Group, with coverage periods of more than 12 months, are assessed for eligibility for the use of the PAA on initial recognition, using the Group's PAA eligibility framework. Where insurance and reinsurance contracts do not automatically qualify for measurement using the PAA, the Group exercises judgement in determining whether the LRC produced under the PAA would not differ materially from the LRC under the GMM. Materiality is a key consideration in the quantitative assessment of results. The Group's internal PAA eligibility framework was developed based on both the relative difference between the LRC valuation under PAA and GMM and absolute measures of materiality, based on audit materiality and error reporting thresholds.

Notes to the consolidated financial statements for the year ended 31 March 2024

IFRS 17 requires consideration in respect of changes in assumptions that may be reasonably expected during the coverage period which would affect the measurement of the LRC. Management has used judgement to determine a number of reasonably expected scenarios impacting the key assumptions, such as loss ratios, discount rates, and the risk adjustment. Management also given consideration to factors that could give rise to a variation in cash flows, such as additional premiums under the contractual provisions of the HM Treasury Retrocession Agreement. Management carried out modelling for a range of reasonably expected scenarios and it can be reasonably expected that there would not be a material difference in the valuation of remaining coverage under the PAA or GMM.

ii) Onerous contracts

In using the PAA, the Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. The Group has considered the structure of the scheme and its unique position in the market, including the existence of the unlimited Government guarantee provided by way of the HM Treasury Retrocession Agreement. This has been assessed against the key facts and circumstances relating to the insurance contracts issued, including historical profitability, expected loss and expense ratios and the current threat environment, and determined that it is a reasonable assumption that the Group has no onerous contracts. If at any time during the coverage period the facts and circumstances indicate that a group of insurance contracts is onerous, the Group establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts, the loss component will be zero. Where the Group recognises a loss on initial recognition of an onerous group of underlying reinsurance contracts, and the Group has a corresponding reinsurance contract held, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held, measuring the expected recovery of the losses.

iii) Discount rates

IFRS 17 requires entities to determine discount rates using either the 'bottom up' or 'top down' approach. The 'top down' approach involves using discount rate curves derived from a portfolio of reference assets adjusted to remove the characteristics of the assets that are not present in insurance contracts, but not requiring to eliminate the illiquidity premium. The Group has elected to apply the 'bottom up' approach, which requires the use of risk-free rate curves and the addition of an illiquidity premium. The standard does not specify how to derive the illiquidity premium; therefore management is required to exercise judgement in determining a suitable illiquidity premium.

As the Group does not currently hold any reserves for incurred claims and expenses, it only requires the derivation of discount rates for measuring (i.e. discounting future premiums cashflows and accretion of interest) the remaining coverage of the HM Treasury Retrocession Agreement, due to a significant financing component.

The UK nominal risk-free yield curve published by the Bank of England for a maturity of 3.25 years, representing the period of the significant financing component, has been used as a proxy for the liquid risk-free yield. Due to qualitative factors, including the short coverage period and relative liquidity of LRC balances compared to LIC balances, management has assessed the HM Treasury Retrocession Agreement as being liquid and hence no allowance for an illiquidity premium is required.

Notes to the consolidated financial statements for the year ended 31 March 2024

The following UK nominal risk-free discount rates were applied for the underwriting periods presented below:

Period commencing	Maturity of 3.25 years
1 January 2018	0.615%
1 January 2019	0.743%
1 January 2020	0.535%
1 January 2021	-0.117%
1 January 2022	0.791%
1 January 2023	3.578%
1 January 2024	3.504%

iv) Risk adjustment

A risk adjustment for non-financial risk is determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. The risk adjustment will be determined for each loss event, since each loss event is rare and unique, and allocated to the relevant group of contracts. The risk adjustment for non-financial risk is determined using a scenario-based technique. The risk adjustment is applied to the LIC but not to the LRC under the PAA.

The process of determining a best estimate liability generates a discrete probability distribution of plausible loss scenarios for each loss event, covering both favourable and unfavourable outcomes. From this distribution, a plausible unfavourable scenario is selected that is consistent with the Group's risk appetite established over the normal course of business. The risk adjustment is the difference between the best estimate liability and the value of the undiscounted future cash flows of the unfavourable scenario. The confidence level is derived by reading the percentile at the chosen unfavourable scenario from the discrete probability distribution, allowing for diversification, if any, between the loss events and between groups of contracts.

Fair value hierarchy classification

Significant judgement is required to categorise financial assets and liabilities under the fair value hierarchy classifications defined in IFRS 13 Fair Value Measurement. The Group exercises judgement in determining whether a market is active and if valuations in these markets reliably reflect the price of an arm's length transaction. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques using observable and unobservable inputs. The risks related to these judgements are set out in note 5 overleaf.

b) Significant accounting estimates and assumptions

Insurance contracts

i) Estimation of future cash flows

In estimating future cash flows, including premium receipts, reinsurance premium payments and claims, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external data, updated to reflect current expectations about future events. The estimates of future cash flows reflect the Group's

Notes to the consolidated financial statements for the year ended 31 March 2024

view of current market conditions at the reporting date, ensuring the estimates of any relevant market variables are consistent with observable market prices; however, these cash flows are inherently uncertain in size and timing. The Group applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4.

Key uncertainty in estimating future cash flows arises due to the contractual terms of the HM Treasury Retrocession Agreement, which provides for Further Premium to be payable to Government, which is calculated as 25% of the surplus reported by the Group. Due to Further Premium being linked to profitability, there is inherent uncertainty in the value of expected future cash flows. See note 6 for further details regarding the calculation of Further Premium.

There are currently no other significant judgements or estimates to disclose in connection with applying the accounting policies.

5. Management of insurance and financial risk

The Board is responsible for establishing effective risk governance and a system of internal controls to safeguard the Group's assets and to ensure compliance with laws and regulations. These responsibilities are delegated to the Risk Committee, which is tasked with providing risk oversight and challenge across the business.

a) Insurance risk

The Group is exposed to insurance risk as a primary consequence of its business. Key risks focus on the risk of loss due to timings, amount, frequency and severity of an insured event relative to the expectations at the time of underwriting.

The Group is exposed to the following insurance risks:

Underwriting risk

This is the risk that future claims experience on business written is materially different from the results expected, including adverse changes in the value of insurance liabilities resulting from significant uncertainty of pricing, underwriting and provisioning assumptions related to extreme or exceptional circumstances.

The Group's approach to the management of underwriting risk is influenced by the commitments contained in the agreements which form the foundations of the Group's scheme. The Group undertakes to accept all risks presented to it which meet the criteria of the scheme and has a Retrocession Agreement with Government, which makes funds available where it faces claims beyond the extent of its ability to pay from its own resources. Under the PRA capital regime, the Group has a capital resource requirement set equal to zero. These arrangements are designed to ensure that the Group can accept all exposures presented to it without limit.

In turn, these arrangements ensure that the Group can provide primary insurers with the reinsurance protection they need to enable them to provide terrorism cover to all clients upon request to the full extent of their policy programme. Hence, it is not an objective to limit the assumption of insurance risk but to ensure that:

- risks accepted fall within the criteria set by the scheme and fall within the scope of the Retrocession Agreement;

Notes to the consolidated financial statements for the year ended 31 March 2024

- pricing is fair between the Members of the scheme; and
- administration arrangements are in place in the event of a major claim.

The Group's appetite for underwriting risk is therefore unlimited, provided that losses will ultimately be met by its funds and its retrocessional cover.

The Group is exposed to concentration risk, including business line and geographic concentration, on the insurance contracts it writes by the very nature of its business. The Company is a monoline reinsurer, with its principal activity to provide reinsurance for losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism within England, Wales and Scotland.

Reserve risk

Reserve risk relates to both premium and claims. There is a risk of understatement or overstatement of reserves arising from:

- The uncertain nature of claims, in particular low frequency events such as terrorism.
- Data issues in the claims reporting process.
- Operational failures.
- Changes in claims trends, including a slowdown in processing of reinsurance recoveries.
- Changes in underwriting and business written.

Understatement of reserves may result in not being able to pay claims when they fall due, while overstatement of reserves can lead to a surplus of funds being retained, resulting in opportunity cost; for example, lost investment return.

Given the very low frequency of claims impacting the Group, there is not a material exposure to reserve risk.

Reinsurance risk

This is the risk of inappropriate selection and/or placement of reinsurance arrangements, with either individual or multiple reinsurers, which renders the transfer of insurance risk to the reinsurer(s) inappropriate and/or ineffective.

Key risks relating to reinsurance risk include:

- Reinsurance concentration risk – the risk of excessive credit risk exposure to any given counterparty.
- Reinsurance capacity being reduced and/or withdrawn.
- Reinsurance contract terms being inappropriate or ineffective resulting in classes of business not being appropriately reinsured.
- Non-adherence to reinsurance policy terms and conditions, resulting in reinsurance recoveries not being made in full.
- Inappropriate or inaccurate management information and/or modelling being used to determine the value for money and purchasing of reinsurance.

The Group uses reinsurance to protect the underwriting result against low-frequency, high-severity losses through the transfer of catastrophe claims volatility to reinsurers.

The Group has reduced its sensitivity to insurance risk through the purchase of commercial retrocessional reinsurance, placed across two programmes. The first is a three-year contract incepting 1 March 2022 covering terrorism losses which are triggered by damage, the proximate cause of which is an Act of Terrorism. The cover is placed across four layers

Notes to the consolidated financial statements for the year ended 31 March 2024

totalling £2,400m attaching at £400m. The price paid for the period 1 March 2023 to 29 February 2024 was £39.0m, which includes broker commission. The reinsurance cover is fully back-to-back with the cover the Group provides to Members. The minimum credit rating for reinsurers accepted is A- and the contract incorporates a downgrade clause, allowing the Group to remove a reinsurer if its rating is downgraded.

The second programme was first incepted in 2019 to reflect the extension of the Group's cover to include non-damage business interruption (NDBI). This is separate to the main retrocessional placement and only covers terrorism losses caused by NDBI. The placement is a single layer of cover for £15m attaching at £10m. The price paid for the period 1 March 2023 to 29 February 2024 was £300k, which includes broker commission. Due to the ongoing low take-up of NDBI, the Group elected not to renew this programme at 1 March 2024.

On 8 March 2022, the Group placed a three-year insurance linked security (ILS) bond with a principal amount of £100m, issued through a special purpose vehicle (SPV), Baltic PCC Limited. The bond (Baltic PCC Series 2022-1 Class A Principal At-Risk Variable Rate Notes 07/03/2025) had an initial interest spread of 5.50% and an initial attachment level of £500m and a maturity date of 7 March 2025, with the loss period commencing on 1 March 2022. The annual re-set following revisions to exposure information resulted in the Group selecting an updated interest spread of 5.49% as of 29 February 2024. By maintaining the interest spread, the issue now has an initial attachment level of £725m, recovering at a rate of 50p/£1 loss up to an exhaustion level of £925m. The cover is fully back-to-back with the cover the Group provides to Members. The ILS is fully collateralised and therefore exposed to minimal credit risk.

The table on the following page shows claims outstanding at the end of the reporting year. Significant controls are in place to ensure, to the extent possible, that liquid funds are available to meet claims or a series of claims as and when necessary.

Notes to the consolidated financial statements for the year ended 31 March 2024

Claim development table

Reporting year	2020 £000	2021 £000	2022 £000	2023 £000	2024 £000
Estimate of ultimate claims costs:					
- At end of reporting year	-	-	-	-	-
- One year later	-	-	-	-	
- Two years later	-	-	-		
- Three years later	-	-			
- Four years later	-				

Reporting year	2020 £000	2021 £000	2022 £000	2023 £000	2024 £000	Total £000
Current position:						
Current estimate of cumulative claims	-	-	-	-	-	-
Cumulative payments to date	-	-	-	-	-	-
Gross liability recognised in the balance sheet	-	-	-	-	-	-
2019 and prior						-
Claims handling provision						-
Adjustment for non-financial risk						-
Effect of discounting						-
Other LIC						-
Total						-

There are no claims outstanding at 31 March 2024.

The Group had a single claim, over the nine years preceding the current reporting period, for a total of £787k in 2017, which was paid in full within one year after the reporting date. Given the Group has a nil LIC balance at the end of the current reporting period and the immaterial value of claims in the preceding periods, the Group has deemed it not necessary to present a claims development table for a period of greater than five years.

Notes to the consolidated financial statements for the year ended 31 March 2024

b) Financial risk management objectives

The overall financial risk management objective is to invest the Group's assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with recognition that they may not be called upon for extended periods.

The Group has adopted risk policies to address the management of its financial risks and there are procedures in place to identify, assess and manage the risks faced by the Group.

The Board has set an investment strategy and has employed independent investment managers under specific mandates to administer the Group's investments. In addition, the Group has an Investment Committee which considers all aspects of the Group's investment activity and, where appropriate, makes recommendations to the Board.

The investment strategy rests on the two main objectives for the fund of stability and liquidity, with the asset allocation aligned to these. Two stability risk measures and one liquidity risk measure have been adopted and risk budgets have been agreed in respect of each measure.

The investment portfolio is diversified, and the investment policy sets limits on the Group's exposure to various types of investment. There is a formal process to review regularly and, where appropriate, rebalance the asset allocation towards the target allocation.

Reports on investment performance are considered at the quarterly Investment Committee meetings and as a standing item in the Group's quarterly Board meetings. The Group meets regularly with the investment managers and the custodians and there is a process for considering and resolving any operational issues which arise. The Group also reviews the investment manager and custodian System and Organisation Controls (SOC) reports on an annual basis where applicable.

Derivative contracts are used by the Group only for the purposes of efficient portfolio management. Hence, derivatives are used to reduce risk, to reduce cost or to generate additional capital or income at a risk level consistent with the risk profile of the Group.

The Group is exposed to a range of financial risks through its financial assets, financial liabilities and policyholder liabilities, the most important of which are market (equity price, commodity price, interest rate and currency), credit and liquidity risk.

When setting the strategic asset allocation, the Group is subject to concentration risk in a variety of forms including:

- Large exposures to individual assets (either bond issuers or deposit-taking institutions);
- Large exposures to different assets where movements in values and ratings are closely correlated; and
- Large exposures to geographical locations.

Concentration risk on investments arises through excessive exposure to particular industry sectors, geographical locations, groups of business undertakings or similar activities. The Group is generally not individually exposed to significant concentration risk due to the Group credit policy and limits framework, which limits investments in individual assets and asset classes, and due to the diversified nature of the overall portfolio.

Notes to the consolidated financial statements for the year ended 31 March 2024

i) Market risk

Equity price risk

The Group is exposed to equity price risk as a result of changes in the value of its holdings in direct equity and equity derivative instruments which are included within financial assets at fair value.

In order to mitigate its exposure to the risk of changes in the prices of individual equities, the Group has a broadly diversified portfolio of global equities which is managed against the MSCI ACWI Value Weighted Index. The MSCI ACWI Value Weighted Index is based on a traditional market cap weighted parent index, MSCI ACWI, which includes large and mid-cap stocks across 23 developed market and 24 emerging market countries.

The table below shows the profit/loss impact should equity market indices increase/decrease by 10%, with all other market variables held constant.

	31 March 2024 **£000**	31 March 2023 **£000** **Restated[1]**
Notional exposure to equity markets	731,476	732,132
Sensitivity to 10% movement in value of equities	73,148	73,213
Total equity market exposure	10.7%	11.2%

Notes:
1 - Prior period comparatives have been restated to reflect updated equity price risk exposure for hedge funds.

Commodity price risk

The Group is exposed to commodity price risk as a result of changes in the value of its holdings in commodity funds and commodity derivative instruments which are included within financial assets at fair value.

The table below shows the profit/loss impact should commodity market indices increase/decrease by 10%, with all other market variables held constant.

	31 March 2024 **£000**	31 March 2023 **£000** **Restated[1]**
Notional exposure to commodity markets	11,131	4,375
Sensitivity to 10% movement in value of commodities	1,113	438
Total commodity market exposure	0.2%	0.1%

Notes:
1 - Prior period comparatives have been restated to reflect updated commodity price risk exposure for hedge funds.

Interest rate risk

The Group is exposed to interest rate risk which arises primarily from investments in fixed interest securities. Debt and fixed income investments represent a significant proportion of the Group's assets, and the Board continually monitors the investment strategy to minimise the risk of a fall in the portfolio's market value, which could affect its ability to settle claims as they fall due. The fair value of the Group's investment portfolio of debt and fixed income holdings is normally inversely correlated to movements in market interest rates. If market interest rates rise, the fair value of the Group's debt and fixed income investments would tend to fall and vice versa, if credit spreads remained constant. Debt and fixed income assets are predominantly invested in high-quality corporate, government and asset-backed bonds.

Notes to the consolidated financial statements for the year ended 31 March 2024

Modified duration has been used as the measure of sensitivity of the Group's fixed interest portfolio to changes in interest rates. Modified duration is the weighted average of the duration of each holding in the portfolio, taking into account the key characteristics of the coupon, maturity and cash flows.

The Group uses certain derivatives to mitigate this interest rate risk. Investments in derivatives are governed by specific provisions within the investment mandates and can only be made for the purposes of efficient portfolio management.

The fair value of assets in the Group's statement of financial position at 31 March 2024 exposed to interest rate risk was £6,195,990k (31 March 2023: £5,805,485k). These are analysed below as follows:

	31 March 2024 **£000**	31 March 2023 **£000** **Restated**[1]
Government issued bonds	2,214,852	2,734,551
Agency and Government supported bonds	393,179	422,644
Asset-backed securities	114,678	33,381
Mortgage-backed instruments	10,637	3,454
Corporate bonds	2,590,730	2,418,735
Loans	215,896	-
Short-term deposits and commercial paper	221,273	118,052
Bond funds	347,917	-
Hedge funds	86,871	76,086
Derivative financial instruments	(42)	(1,419)
	6,195,990	5,805,485

Notes:
1 - Prior period comparatives have been restated to reflect updated interest rate risk exposure for hedge funds.

The table below shows the value of the Group's holdings of financial assets and liabilities reported within other financial investments exposed to interest rate risk at the year end and shows the profit/loss impact of a 50-basis point, parallel decrease/increase in interest rates, assuming all other assumptions remain unchanged.

	31 March 2024 **£000**	31 March 2023 **£000** **Restated**[1]
Notional exposure of assets to interest rate risk	6,195,990	5,805,485
Sensitivity to 50-basis point movement in interest rates	78,727	68,982
	Years	**Years**
Average modified duration	2.54	2.41

Notes:
1 - Prior period comparatives have been restated to reflect updated interest rate risk exposure for hedge funds.

The carrying value of the liability under the HM Treasury Retrocession Agreement is exposed to interest rate risk, as future cash flows and profit or loss may be affected by changes in the explicit interest rate (SONIA) charged on the contract. The following sensitivity analysis has been performed based on a reasonably expected movement in the explicit interest rate of +/- 50bps, showing the resulting impact on profit after tax and equity.

Notes to the consolidated financial statements for the year ended 31 March 2024

The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk; however, for the purposes of the below analysis, all variables, with the exception of the explicit interest rate, have been held constant. It should be noted that movements in these variables are non-linear.

	31 March 2024 **£000**	31 March 2023 **£000**
Carrying value of HM Treasury Retrocession Agreement	353,827	358,838
Sensitivity to 50bps increase in interest rates[1]	(2,269)	(1,972)
Sensitivity to 50bps decrease in interest rates[1]	2,257	1,961

Notes:
1 - The impact of changes in interest rates is consistent across profit or loss and equity.

Currency risk

The Group is exposed to currency risk in respect of investments denominated in a currency other than pound sterling. The Group's policy is to manage its exposure to non-sterling currencies through the use of forward contracts.

The table below shows the value of assets denominated in currencies other than sterling not covered by foreign exchange contracts at the year end. The table also shows the impact on profit/loss if sterling had weakened/strengthened by 25% against the mix of currencies within the uncovered portion of the Group's investment fund, with all other variables held constant.

	31 March 2024 **£000**	31 March 2023 **£000** **Restated[1]**
Unhedged investments	446,171	471,655
Sensitivity to 25% weakening in value of sterling on unhedged investments	149,737	155,145
Sensitivity to 25% strengthening in value of sterling on unhedged investments	(88,626)	(95,575)

Notes:
1 - Prior period comparatives have been restated to reflect updated currency risk exposure for hedge funds.

The table below shows the increase/decrease in profit from a 25% weakening/strengthening of sterling against the Group's top five unhedged foreign currency exposures.

	2023/24			**2022/23**		
	Fair value of asset **£000**	Increase in profit **£000**	Decrease in profit **£000**	Fair value of asset **£000**	Increase in profit **£000**	Decrease in profit **£000**
EUR	23,351	9,152	(3,849)	34,271	12,418	(6,258)
CAD	20,139	6,713	(4,028)	17,182	5,727	(3,436)
HKD	25,631	8,558	(5,117)	31,442	10,481	(6,288)
JPY	45,402	15,126	(9,085)	48,249	16,065	(9,660)
USD	66,383	21,546	(13,626)	76,110	23,016	(16,634)
	180,906	**61,095**	**(35,705)**	**207,254**	**67,708**	**(42,277)**

Notes to the consolidated financial statements for the year ended 31 March 2024

ii) Credit risk

Credit risk arises from the failure of a counterparty to perform its financial obligations, including a failure to perform those obligations in a timely manner. The Group is exposed primarily to counterparty default risk, which arises from the following sources:

- Investments – this arises from the investment of funds in a range of investment vehicles permitted by the investment policy.
- Reinsurance recoveries – this represents amounts receivable from the reinsurer to cover claims paid to policyholders.
- Insurance contracts issued – this arises from the collection of premiums from Members.

The Group cedes insurance risk to reinsurers, but, in return, assumes counterparty default risk against recoveries as it remains liable for claims payments to policyholders in case of reinsurer default. The Group's panel of reinsurers is therefore important, and both the quality and amount of the assumed counterparty default risk are subject to approval whereby reinsurance is only purchased from reinsurers that hold a credit rating of at least A- at the time cover is purchased.

Due to the nature of the Company's reinsurance contract agreements with its Members, there is no significant counterparty default risk relating to the insurance contracts it issues.

The Group's investment policies are designed to restrict the level of credit risk in the fund by setting limits on individual investments or groups of investments. Such limits are set with reference to the credit ratings determined by established credit rating agencies and individual issuer limits. The Group also mitigates counterparty credit risk by concentrating debt and fixed income investments in a portfolio of high quality, investment grade, corporate and Government bonds, which are considered to have low credit risk.

The Group assesses the condition and creditworthiness of financial depositories by reviewing credit grades provided by rating agencies and other publicly available information. The Group also places limits on the level of counterparty exposure to financial depositories.

The Group receives reports from its investment managers detailing any breaches of mandates, including those resulting from defaults and past due items. No financial assets of material value were past due or impaired at the year end.

The total exposure of the Group's assets to credit risk at the year end was £6,577,649k (31 March 2023: £6,189,427k), representing the total value of insurance and reinsurance contract assets, bonds, loans, derivative financial instruments, short-term deposits, cash at bank and in hand, and investment and other receivables.

Notes to the consolidated financial statements for the year ended 31 March 2024

	31 March 2024 £000	31 March 2023 £000 Restated[1,2]
Insurance contract assets	140	145
Reinsurance contract assets	4,577	558
Equities and investment funds	607,673	222,908
Debt and fixed income holdings	5,591,528	5,642,105
Derivative financial instruments	10,363	52,518
Short-term deposits	225,810	143,425
Cash at bank and in hand	46,634	25,801
Other debtors	90,924	101,967
Total assets bearing credit risk	**6,577,649**	**6,189,427**

Notes:

1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 for further details.

2 - Prior period comparatives have been restated to reflect updated credit risk exposure for hedge funds.

The fair value of equities and investment funds exposed to credit risk can be further analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Directly held equity securities	-	-
Bond funds	347,917	-
Hedge funds	259,756	222,908
	607,673	**222,908**

An analysis of the credit ratings of the Group's major exposures to counterparty credit risk, excluding insurance contract assets and reinsurance contract assets, is presented below. Of this total, 54% (31 March 2023: 60%) was invested in UK Government Gilts and other AAA/AA rated securities.

	31 March 2024		31 March 2023	
	£000	%	£000 Restated[1,2]	% Restated[1,2]
AAA	1,151,657	18	1,272,200	21
AA	2,355,937	36	2,395,139	39
A	1,484,679	23	1,307,799	21
BBB	722,284	11	681,972	11
BB	145,335	2	70,262	1
B	272,384	4	29,654	-
CCC and below	23,996	-	3,590	-
Not rated	416,660	6	428,108	7
Total assets bearing credit risk	**6,572,932**	**100**	**6,188,723**	**100**

Notes:

1 - Prior period comparatives have been restated to reclassify money market funds from 'Not Rated' to 'AAA'.

2 - Prior period comparatives have been restated to reflect updated credit risk exposure for hedge funds.

Notes to the consolidated financial statements for the year ended 31 March 2024

Securities categorised as 'not rated' can be further analysed as follows:

	31 March 2024 £000	31 March 2023 £000
Hedge funds	259,756	222,908
Other cash and receivables	156,904	205,200
	416,660	**428,108**

At the reporting date, excluding UK Government Gilts and US Government Securities, the maximum credit risk exposure to a single counterparty amounted to 2.0% of the Net Asset Value (31 March 2023: 1.5%).

The table below details the margin requirements, margin positions and collateral posted or held in respect of derivative contracts at year end.

	31 March 2024 £000	31 March 2023 £000
Initial margin requirements	1,076	1,469
Securities on deposit	10,952	3,867
FX Collateral posted	26,459	6,923
FX Collateral held	4,455	36,075

Securities on deposit at 31 March 2024 of £10,952k (31 March 2023: £3,867k) are disclosed within financial assets carried at fair value, specifically within debt and fixed income holdings and consist solely of US Treasury Notes. The Group retains all the risks and rewards of the pledged securities; therefore the assets do not qualify for derecognition and remain disclosed on the Group's statement of financial position.

iii) Liquidity risk

Liquidity risk is the risk of being unable to access cash from the sale of investments or other assets in order to settle financial obligations as they fall due.

The Group's overall financial risk management objective is to invest the assets against the contingency that they may be required in the short term to deal with a claim or series of claims, or other insurance contract liabilities, but with recognition that they may not be called upon for extended periods. As at 31 March 2024, 28% (31 March 2023: 34%) of the Group's investment assets were held in bonds with maturities of fewer than 18 months.

The contractual maturity profile of the fair value of these securities is as follows:

Fair values at balance sheet date analysed by contractual maturity as at 31 March 2024

	Within 1 year £000	Between 1 year and 2 years £000	Between 2 years and 5 years £000	Over 5 years £000	31 March 2024 £000
Debt and fixed income holdings	1,231,270	886,408	2,814,646	612,536	**5,544,861**
Short-term deposits	225,367	-	-	-	**225,367**
Cash at bank and in hand	46,634	-	-	-	**46,634**
	1,503,271	**886,408**	**2,814,646**	**612,536**	**5,816,862**

Notes to the consolidated financial statements for the year ended 31 March 2024

Fair values at balance sheet date analysed by contractual maturity as at 31 March 2023

	Within one year £000	Between one year and two years £000	Between two years and five years £000	Over five years £000	31 March 2023 £000
Debt and fixed income holdings	1,021,461	1,813,700	2,204,530	573,076	**5,612,766**
Short-term deposits	143,425	-	-	-	**143,425**
Cash at bank and in hand	25,801	-	-	-	**25,801**
	1,190,687	**1,813,700**	**2,204,530**	**573,076**	**5,781,992**

Cash and cash equivalents reported within the Statement of Cash Flows include cash collateral positions in respect of foreign exchange derivative contracts at year end. Cash collateral received is included in cash at bank and in hand and is regarded as encumbered. The value of cash collateral held at 31 March 2024 was £4,455k (31 March 2023: £36,075k).

Financial liabilities and outstanding claims as at 31 March 2024

The Group has financial liabilities shown on the face of the statement of financial position in respect of insurance contract liabilities, creditors, deferred tax and derivatives. The table below is a maturity analysis of the Group's financial liabilities. Cash flows in respect of derivative liabilities are shown on an undiscounted basis.

	Within one year £000	Between one year and two years £000	Between two years and five years £000	Over five years £000	31 March 2024 £000
Derivatives	25,349	-	22	-	**25,371**
Insurance contract liabilities	64,171	-	-	-	**64,171**
Deferred tax		28,226	31,570		**59,796**
Reinsurance contract liabilities	167,212	180,622	6,032		**353,866**
Other creditors, including investment and lease creditors	234,639	942			**235,581**
	491,370	**209,790**	**37,624**	**-**	**738,784**

Financial liabilities and outstanding claims as at 31 March 2023

	Within one year £000	Between one year and two years £000	Between two years and five years £000	Over five years £000	31 March 2023 £000
Derivatives	6,854	-	950	-	**7,804**
Insurance contract liabilities	66,604	-	-	-	**66,604**
Deferred tax	-	10,534	-	-	**10,534**
Reinsurance contract liabilities	239,475	117,603	5,118	-	**362,196**
Other creditors, including investment and lease creditors	159,475	636	942		**161,053**
	472,408	**128,773**	**7,011**	**-**	**608,191**

Notes to the consolidated financial statements for the year ended 31 March 2024

iv) Capital management

The Group falls within the exclusion in Article 11 of EU Directive 2009/138/EC (Solvency II Directive). Following applications by the Group, in November 2020 the PRA extended certain waivers previously granted to the Group under section 138A of the Financial Services and Markets Act 2000, such that those waivers continue until 1 January 2026. The principal effects of those waivers are that the Group is not regulated as if subject to Solvency II and the Group's Capital Resources Requirement is zero. The Group also benefits from a waiver of certain reporting requirements, which are in force until 31 March 2027.

Notwithstanding these waivers, the Group maintains an efficient capital structure consistent with its risk profile and the requirements of its business.

The Group's objectives in managing its capital are:

- to consider the profile of its assets in the context of its liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support business growth;
- to satisfy the requirements of its regulators, its Members and its ultimate policyholders;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- to manage exposures to movement in exchange rates.

As detailed in note five(a) the Group considers not only traditional sources of capital funding, but also reinsurance as an alternative source of capital.

v) Fair value estimation

The Group classifies financial instruments held at fair value in the statement of financial position into the following levels in accordance with IFRS 13 Fair Value Measurement. A fair value measurement is categorised in its entirety based on the lowest level input that is significant to the fair value measurement.

Level one: Fair values measured using quoted prices (unadjusted) in active markets for identical instruments.

Level two: Fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on market observable data.

Level three: Fair values measured using valuation techniques for which significant inputs are not based on market observable data.

The following tables show the Group's financial assets and financial liabilities measured at fair value:

Financial assets as at 31 March 2024

	Level one	Level two	Level three	Total
	£000	**£000**	**£000**	**£000**
Equities and investment funds	526,574	711,927	67,004	**1,305,505**
Debt and fixed income holdings	2,135,295	3,409,507	58	**5,544,861**
Derivative financial instruments	53	10,310	-	**10,363**
	2,661,923	**4,131,744**	**67,062**	**6,860,729**

Notes to the consolidated financial statements for the year ended 31 March 2024

Financial liabilities as at 31 March 2024

	Level one	Level two	Level three	Total
	£000	**£000**	**£000**	**£000**
Derivative financial instruments	95	25,276	-	**25,371**
	95	**25,276**	-	**25,371**

Financial assets as at 31 March 2023

	Level one	Level two	Level three	Total
	£000	**£000**	**£000**	**£000**
Equities and investment funds	500,542	327,471	60,655	**888,669**
Debt and fixed income holdings	2,659,593	2,952,588	584	**5,612,766**
Derivative financial instruments	122	52,364	-	**52,487**
	3,160,258	**3,332,424**	**61,239**	**6,553,921**

Financial liabilities as at 31 March 2023

	Level one	Level two	Level three	Total
	£000	**£000**	**£000**	**£000**
Derivative financial instruments	1,374	6,430	-	**7,804**
	1,374	**6,430**	-	**7,804**

The fair value of assets included in Level one is determined by the unadjusted quoted bid price in an active market at the reporting date. At the year end, these assets mainly comprised developed market Government bonds (including index-linked Government bonds), listed equities and exchange traded derivatives.

If quoted prices in active markets are not available as defined in Level one, the fair value of the asset can be determined using a valuation technique with inputs that are observable (i.e. using market data), either directly or indirectly. Assets valued using such valuation techniques are categorised in Level two. The Group has classified corporate bonds, emerging market Government and semi-Government bonds, asset-backed securities, loans, mutual funds and over the counter (OTC) derivatives within Level two. The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured.

Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information and reflect appropriate adjustment for the risks of the instrument. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific estimates. The Group's Level Three financial instruments consist of unlisted equity and debt securities issued by a single counterparty and investments in limited partnership structures. There were no transfers in or out of level one, two or three of the fair value hierarchy in the period.

Notes to the consolidated financial statements for the year ended 31 March 2024

Level Three includes investments in unquoted equity and debt securities, and limited partnerships, all of which have limited observable inputs on which to measure fair value. Unquoted equity and debt securities, including equity instruments in limited partnerships, are carried at fair value. The effect of changing one or more inputs used in the measurement of fair value of these instruments to another reasonable assumption would not be significant.

Unquoted equity and debt securities are valued by the investment manager using trading multiples of comparable public companies based on industry, size, developmental stage and strategy. Trading multiples for each comparable company have been calculated as the enterprise multiple (enterprise value divided by earnings before interest, taxes, depreciation and amortisation). The enterprise multiple is adjusted for risk factors such as liquidity, credit and market risk, as well as instrument specific factors. The valuation is approved by a committee of the investment manager and reviewed on a regular basis.

Investments in limited partnership structures are valued by utilising a variety of techniques dependent on the nature of the underlying portfolio companies within the partnership. Valuation techniques employed include relative valuation methodologies such as discounted public company and private merger and acquisition comparables, discounted cash flow models including enterprise value, to trailing 12-month revenue and transactional valuations based on pre and post-money valuations. Cost, plus or minus the net income advised as attributable to the Group at the reporting date, is taken as a reliable measurement of fair value where investments have not been revalued since initial recognition.

The Group's investment policy allows for an allocation of 3% of the total investment fund value to these limited partnership structures. As at 31 March 2024, the capital commitment allowance was £210m (31 March 2023: £200m). Total capital committed to limited partnerships is £93,506k (31 March 2023: £78,419k), with capital called to date at 31 March 2024 of £56,446k (31 March 2023: £44,841k). The fair value of limited partnerships reported in Level Three is £67,004k (31 March 2023: £60,650k).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the relevant reporting period during which the transfers are deemed to have occurred.

	Level Three **£000**
As at 31 March 2023	61,239
Acquisitions	14,988
Disposals	(1,750)
Transfers into Level Three	-
Net losses recognised at fair value through profit or loss	(7,415)
As at 31 March 2024	**67,062**

Notes to the consolidated financial statements for the year ended 31 March 2024

6. Insurance service result

Insurance revenue

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
INSURANCE REVENUE		
Insurance revenue	262,658	354,859
Total insurance revenue	**262,658**	**354,859**
INSURANCE SERVICE EXPENSES		
Incurred claims and other claims expenses	-	-
Other directly attributable expenses	(1,233)	(1,115)
Total insurance service expenses	**(1,233)**	**(1,115)**
NET INCOME/(EXPENSES) FROM REINSURANCE CONTRACTS HELD		
Reinsurance expenses	(276,545)	(303,042)
Other incurred directly attributable expenses	-	-
Claims recovered	-	-
Total net expenses from reinsurance contracts held	**(276,545)**	**(303,042)**
Total insurance service result	**(15,119)**	**50,702**

Gross premiums written by the Group for the 12 months to 31 March 2024 totalled £261,733k (15 months to 31 March 2023: £341,391k). This all relates to the Group's principal activity, which is reinsurance business conducted on a mutual basis from risks located in England, Wales and Scotland.

Under the Group's HM Treasury Retrocession Agreement, 50% (31 March 2023: 50%) of the value of gross premiums written incepting during the year is payable as outward reinsurance premiums to Government. For the 12 months to 31 March 2024 this amounted to £130,867k (15 months to 31 March 2023: £170,696k). In addition, further premium is payable to Government in accordance with the Retrocession Agreement. This is calculated as 25% (31 March 2023: 25%) of the surplus reported by the Group. Surplus, for these purposes, is calculated as profit for the year before the 25% further premium payable to Government. In the reporting period this amounted to £96,623k (15 months to 31 March 2023: £33,091k). Premium payable to Government is due no later than 31 March in the third year following the end of the relevant underwriting year. The outstanding liability payable to Government is reported under reinsurance contract liabilities in the statement of financial position.

Commercial and ILS retrocession cover has also been purchased, as described further in note 5(a). In the 12 months to 31 March 2024 premiums paid for commercial and ILS retrocession were £45,224k (15 months to 31 March 2023: £89,697k).

The Group's principal activity is to provide reinsurance in respect of losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism within England, Wales and Scotland. Given the monoline nature of the business model and geographic restrictions, the Group has not provided any further analysis by operating segment.

Notes to the consolidated financial statements for the year ended 31 March 2024

7. Net insurance finance and investment result

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
FINANCE EXPENSES FROM REINSURANCE CONTRACTS HELD		
Interest accreted	(3,018)	(1,870)
Finance expense from reinsurance contracts held	**(3,018)**	**(1,870)**
Net insurance finance expenses	**(3,018)**	**(1,870)**

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
Investment income including interest receivable	180,435	157,761
Net realised gains/(losses) on financial investments at fair value through profit or loss	215,598	(128,534)
Net unrealised gains on financial investments at fair value through profit or loss	54,855	11,470
Investment income	**450,888**	**40,697**
INVESTMENT EXPENSES		
Investment management and other expenses	(9,616)	(11,255)
Total investment result	**441,272**	**29,442**

Total net investment return, insurance and reinsurance finance income/(expenses)	**438,254**	**27,572**

Notes to the consolidated financial statements for the year ended 31 March 2024

8. Operational expenses

a) Operational expenses

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000 Restated[1]
Wages and salaries	6,359	6,742
Social security costs	861	1,000
Pension costs	400	406
Director fees	626	635
Other staff costs	932	1,404
Travel and entertainment	156	118
Property and office costs	905	1,057
IT costs	677	777
Depreciation	465	603
Professional and legal fees	4,766	4,996
External project funding	1,304	1,224
Other costs	842	812
Total non-directly attributable expenses	**18,293**	**19,773**
Wages and salaries	780	678
Social security costs	108	94
Pension costs	78	68
Travel and entertainment	29	18
Property and office costs	98	117
IT costs	88	88
Professional and legal fees	52	53
Total directly attributable insurance services expenses	**1,233**	**1,115**
Total operational expenses	**19,526**	**20,888**

Notes:
1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 for further details.

b) Auditors' remuneration

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
Fees payable to the Group's auditors for the audit of the Group's financial statements	475	162
Fees payable to the Group's auditors for other services:		
Other assurance services	35	25
Other non-audit services	-	-
	509	**187**

The audit fee for the 12 months ending 31 March 2024 of £509k includes £390k for the current period, £37k for the prior period and £82k of non-reclaimable VAT.

Notes to the consolidated financial statements for the year ended 31 March 2024

9. Employees and directors

The monthly average number of persons employed on a full-time equivalent basis by the Group during the year was 42 (31 March 2023: 34).

Employees

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
Staff costs for these persons were:		
Wages and salaries	7,139	7,419
Social security costs	969	1,094
Other pension costs	478	474
	8,586	**8,986**

Of the total aggregate remuneration, £965k (31 March 2023: £839k) is included in the Insurance Service result as part of other directly attributable expenses. See note 6 for further details.

Directors

As at 31 March 2024, there were 10 Non-Executive Directors (31 March 2023: 11) and one Executive Director, the Chief Executive. The Directors of the Group who were in office during the year can be found within the Directors' Report. Total remuneration paid to Directors is as follows:

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
The directors' emoluments were as follows:		
Aggregate emoluments	1,553	1,525
Sums paid to third parties for director services	22	-
	1,575	**1,525**

Details of Directors' remuneration are included within the remuneration and staff report on page 87.

Notes to the consolidated financial statements for the year ended 31 March 2024

10. Tax on profit on ordinary activities

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
Tax on profit on ordinary activities comprised:		
United Kingdom Corporation Tax:		
Current tax on income for the year at 25% (31 March 2023: 19%)	(33,775)	-
Withholding tax deducted from investment income	(1,840)	(2,976)
Adjustments in respect of prior years	-	(808)
Total current tax	**(35,614)**	**(3,784)**
Deferred tax liability – origination and reversal of timing differences at 25.00% (31 March 2023: 19.00%) – note 17	(49,262)	29,292
Tax on profit on ordinary activities	**(84,876)**	**25,508**

Factors affecting the tax charge for the year

The tax assessed for the year is different from the standard rate of UK Corporation Tax: 25% (31 March 2023: 19%). The differences are explained below:

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
Profit on ordinary activities before tax	**404,892**	**58,570**
Corporation Tax at the standard UK rate of 25% (31 March 2023: 19%) on profit on ordinary activities	(101,223)	(11,128)
Adjustments for non-taxable items. Tax at 25% (31 March 2023: 19%) on:		
Insurance income	2,118	10,717
Dividend income	4,410	6,552
Other investment expenses, capital allowances and bank charges	(40)	(331)
Investment gains on equities	819	-
Investment gains on index-linked Government bonds	6,819	19,799
Foreign taxes	(1,873)	(2,892)
Adjustments in respect of prior year	4,093	(803)
Deferred tax charge	-	3,594
Tax on profit on ordinary activities	**(84,876)**	**25,508**

Notes:

1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 for further details.

Notes to the consolidated financial statements for the year ended 31 March 2024

11. Financial assets and liabilities

Financial assets designated at fair value through profit or loss are measured at fair values, with all changes from one accounting period to the next being recorded through profit or loss.

	31 March 2024 £000	31 March 2023 £000
FINANCIAL ASSETS		
Debt and fixed income holdings	5,544,861	5,612,766
Equities and investment funds	1,305,505	888,669
Total investments	**6,850,366**	**6,501,435**
Derivative financial instruments	10,363	52,487
Total financial assets carried at fair value	**6,860,729**	**6,553,921**

The effective maturity of the debt and fixed income holdings due within one year and after one year are as follows:

	31 March 2024 £000	31 March 2023 £000
Within one year	1,231,858	1,021,461
After one year	4,313,002	4,591,305
	5,544,861	**5,612,766**

An analysis of the credit risk and contractual maturity profiles of the Group's financial instruments is given in Note five.

	31 March 2024 £000	31 March 2023 £000
FINANCIAL LIABILITIES		
Within one year	25,349	6,854
After one year	22	950
	25,371	**7,804**

As at 31 March 2024 the purchase cost of equities and investment funds was £1,057,981k (31 March 2023: £750,756k), the purchase cost of debt and fixed income holdings was £5,628,362k (31 March 2024: £5,659,484k) and the purchase cost of derivatives was £432k (31 March 2023: £138k).

Notes to the consolidated financial statements for the year ended 31 March 2024

The Group enters into derivative transactions under International Swaps and Derivative Association (ISDA) master netting arrangements. In general, under these arrangements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

The tables below show fair values of derivative financial instruments outstanding at year end which are subject to the above arrangements.

	31 March 2024		31 March 2023	
	£000 Fair value	**£000** Notional	**£000** Fair value	**£000** Notional
ASSETS				
Foreign exchange contracts	9,836	2,431,903	51,857	4,101,685
Futures contracts	53	5,084	122	4,553
Options contracts	368	8,828	374	36,091
Swap contracts	106	6,659	134	12,573
	10,363	**2,452,474**	**52,487**	**4,154,902**

	31 March 2024		31 March 2023	
	£000 Fair value	**£000** Notional	**£000** Fair value	**£000** Notional
LIABILITIES				
Foreign exchange contracts	25,246	2,834,352	5,480	557,969
Futures contracts	95	163,984	1,374	53,217
Options contracts	8	2,820	-	-
Swap contracts	22	2,681	950	50,586
	25,371	**3,003,837**	**7,804**	**661,772**

The movement through the Profit or Loss Statement for derivatives for the 12-month period ending 31 March 2024 was as follows: foreign exchange contracts produced a gain of £99,719k (15-month period ending 31 March 2023: loss of £284,655k); futures contracts produced a gain of £301k (15-month period ending 31 March 2023: gain of £6,262k); options contracts produced a loss of £185k (15-month period ending 31 March 2023: gain of £88k) and swap contracts produced a loss of £5k (15-month period ending 31 March 2023: loss of £117k).

Notes to the consolidated financial statements for the year ended 31 March 2024

12. Tangible assets

	Right of use assets £000	Computer and telephone equipment £000	Fixtures and fittings £000	Furniture £000	Total £000
BOOK COST					
As at 1 April 2023	3,947	189	1,462	356	5,954
Additions	-	89	28	18	134
Disposals	-	(54)	(5)	(54)	(113)
As at 31 March 2024	**3,947**	**224**	**1,485**	**320**	**5,976**
ACCUMULATED DEPRECIATION					
As at 1 April 2023	2,532	165	1,263	326	4,286
Charge for the year	396	61	51	12	520
Disposals	-	(54)	(5)	(53)	(112)
As at 31 March 2024	**2,928**	**172**	**1,309**	**285**	**4,694**
NET BOOK VALUE					
As at 31 March 2024	**1,019**	**52**	**176**	**35**	**1,282**

	Right of use assets £000	Computer and telephone equipment £000	Fixtures and fittings £000	Furniture £000	Total £000
BOOK COST					
As at 1 January 2022	3,947	199	1,446	356	5,948
Additions	-	30	16	-	46
Disposals	-	(40)	-	-	(40)
As at 31 March 2023	**3,947**	**189**	**1,462**	**356**	**5,954**
ACCUMULATED DEPRECIATION					
As at 1 January 2022	2,038	158	1,168	286	3,650
Charge for the year	494	43	95	39	671
Disposals	-	(36)	-	-	(36)
As at 31 March 2023	**2,532**	**165**	**1,263**	**325**	**4,285**
NET BOOK VALUE					
As at 31 March 2023	**1,415**	**24**	**199**	**31**	**1,669**

The charge for depreciation for the 12-month period ending 31 March 2024 was £520k (15-month period ending 31 March 2023: £671k). Depreciation for right-of-use assets includes £394k (31 March 2023: £492k) for office leasing and £2k (31 March 2023: £2k) for office equipment leasing.

Notes to the consolidated financial statements for the year ended 31 March 2024

13. Cash and cash equivalents

	31 March 2024 £000	31 March 2023 £000
Cash at bank and in hand	46,634	25,531
Short-term deposits	225,367	142,967
Cash and cash equivalents per the statement of financial position	**272,001**	**168,498**
Bank overdrafts	**(3,287)**	**-**
Cash and cash equivalents	**268,714**	**168,498**

Short-term deposits include debt securities with an original maturity date of fewer than three months and money market funds.

14. Investment and other receivables

	31 March 2024 £000	31 March 2023 £000 Restated[1]
Prepayments and accrued income other receivables:	49,853	32,558
Investment debtors	90,924	101,967
Other debtors	475	314
Total investment and other receivables	**141,252**	**134,839**

The amounts expected to be recovered before and after one year are estimated as follows:

	31 March 2024 £000	31 March 2023 £000 Restated[1]
Within one year	141,252	134,839
After one year	-	-
	141,252	**134,839**

Notes:
1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 for further details.

There is no significant credit risk within investment and other receivables. The Group recognised a loss of £0k (15-month period ending 31 March 2023: £nil) for the impairment of receivables during the 12-month period ending 31 March 2024. The carrying amounts are reasonably approximate to the fair value at reporting date.

Notes to the consolidated financial statements for the year ended 31 March 2024

15. Reconciliation of the liability for remaining coverage and the liability for incurred claims

i) Insurance contracts issued measured under the premium allocation approach

	31 March 2024		
	Excluding loss component £000	Loss component £000	Total £000
Opening insurance contracts issued liabilities as at 1 April 2023	(66,604)	-	**(66,604)**
Opening insurance contracts issued assets as at 1 April 2023	145	-	**145**
Net opening balance as at 1 April 2023	**(66,458)**	**-**	**(66,458)**
Insurance revenue	262,658	-	**262,658**
INSURANCE SERVICE EXPENSES			
Incurred claims and other directly attributable expenses	(1,233)	-	**(1,233)**
Insurance service expenses	**(1,233)**	**-**	**(1,233)**
Insurance service result	**261,425**	**-**	**261,425**
Total amounts recognised in profit or loss	**261,425**	**-**	**261,425**
CASH FLOWS			
Premiums received	(258,998)	-	**(258,998)**
Claims and other directly attributable expenses paid	-	-	**-**
Total cash flows	**(258,998)**	**-**	**(258,998)**
Net closing balance as at 31 March 2024	**(64,031)**	**-**	**(64,031)**
Closing insurance contracts issued liabilities as at 31 March 2024	(64,171)	-	**(64,171)**
Closing insurance contracts issued assets as at 31 March 2024	140	-	**140**
Net closing balance as at 31 March 2024	**(64,031)**	**-**	**(64,031)**

Notes to the consolidated financial statements for the year ended 31 March 2024

	31 March 2023 Excluding loss component £000	Loss component £000	Total £000
Opening insurance contracts issued liabilities as at 1 January 2022	(61,943)	-	**(61,943)**
Opening insurance contracts issued assets as at 1 January 2022	30	-	**30**
Net opening balance as at 1 January 2022	**(61,913)**	**-**	**(61,913)**
Insurance revenue	354,859	-	**354,859**
INSURANCE SERVICE EXPENSES			
Incurred claims and other directly attributable expenses	(1,115)	-	**(1,115)**
Insurance service expenses	**(1,115)**	**-**	**(1,115)**
Insurance service result[1]	**353,744**	**-**	**353,744**
Total amounts recognised in profit or loss	**353,744**	**-**	**353,744**
CASH FLOWS			
Premiums received	(358,289)	-	**(358,289)**
Claims and other directly attributable expenses paid	-	-	**-**
Total cash flows	**(358,289)**	**-**	**(358,289)**
Net closing balance as at 31 March 2023	**(66,458)**	**-**	**(66,458)**
Closing insurance contracts issued liabilities as at 31 March 2023	(66,604)	-	**(66,604)**
Closing insurance contracts issued assets as at 31 March 2023	145	-	**145**
Net closing balance as at 31 March 2023	**(66,458)**	**-**	**(66,458)**

Notes to the consolidated financial statements for the year ended 31 March 2024

ii) Reinsurance contracts held measured under the premium allocation approach

	31 March 2024		
	Excluding loss component £000	**Loss component £000**	**Total £000**
Opening reinsurance contracts held liabilities as at 1 April 2023	(362,196)	-	**(362,196)**
Opening reinsurance contracts held assets as at 1 April 2023	558	-	**558**
Net opening balance as at 1 April 2023	**(361,638)**	**-**	**(361,638)**
NET INCOME/(EXPENSES) FROM REINSURANCE CONTRACTS HELD			
Reinsurance expenses	(276,545)	-	**(276,545)**
Net income/(expenses) from reinsurance contracts held	**(276,545)**	**-**	**(276,545)**
Finance (income) expenses from reinsurance contracts held	(3,018)	-	**(3,018)**
Total amounts recognised in profit or loss	**(279,563)**	**-**	**(279,563)**
CASH FLOWS			
Premiums paid net of ceding commissions and other directly attributable expenses paid	291,912	-	**291,912**
Recoveries from reinsurance	-	-	**-**
Total cash flows	**291,912**	**-**	**291,912**
Net closing balance as at 31 March 2024	**(349,289)**	**-**	**(349,289)**
Closing reinsurance contracts held liabilities 31 March 2024	(353,866)	-	**(353,866)**
Closing reinsurance contracts held assets as at 31 March 2024	4,577	-	**4,577**
Net closing balance as at 31 March 2024	**(349,289)**	**-**	**(349,289)**

Notes to the consolidated financial statements for the year ended 31 March 2024

	31 March 2023		
	Excluding loss recovery component	**Loss recovery component**	**Total**
	£000	**£000**	**£000**
Opening reinsurance contracts held liabilities as at 1 April 2023	(553,058)	-	**(553,058)**
Opening reinsurance contracts held assets as at 1 April 2023	6,586	-	**6,586**
Net opening balance as at 1 April 2023	**(546,473)**	**-**	**(546,473)**
NET INCOME/(EXPENSES) FROM REINSURANCE CONTRACTS HELD			
Reinsurance expenses	(303,042)	-	**(303,042)**
Net income/(expenses) from reinsurance contracts held	**(303,042)**	**-**	**(303,042)**
Finance (income) expenses from reinsurance contracts held	(1,870)	-	**(1,870)**
Total amounts recognised in profit or loss	**(304,912)**	**-**	**(304,912)**
CASH FLOWS			
Premiums paid net of ceding commissions and other directly attributable expenses paid	489,746	-	**489,746**
Recoveries from reinsurance	-	-	**-**
Total cash flows	**489,746**	**-**	**489,746**
Net closing balance as at 31 March 2024	**(361,638)**	**-**	**(361,638)**
Closing reinsurance contracts held liabilities 31 March 2024	(362,196)	-	**(362,196)**
Closing reinsurance contracts held assets as at 31 March 2024	558	-	**558**
Net closing balance as at 31 March 2024	**(361,638)**	**-**	**(361,638)**

There have been no changes in the risk of non-performance by the issuers of reinsurance contracts held, therefore this has not been disclosed in the above tables.

Notes to the consolidated financial statements for the year ended 31 March 2024

16. Investment and other payables

	31 March 2024 £000	31 March 2023 £000 Restated[1]
Social security and other taxes payable	219	229
Investment creditors	223,067	154,936
Lease liabilities	1,370	1,795
Bank overdrafts	3,287	-
Other creditors	1,147	544
	229,091	**157,504**
Accruals	6,491	3,550
Total investment and other payables	**235,581**	**161,053**

The amounts expected to be settled before one year and after one year are estimated as follows:

	31 March 2024 £000	31 March 2023 £000 Restated[1]
Within one year	228,149	156,134
After one year	942	1,370
	229,091	**157,504**

Notes:
1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 for further details.

The carrying amounts are reasonably approximate to the fair value at reporting date.

Lease arrangements

As a lessee, the Group has two leases which relate to the rental of office space and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The leases do not have the option to extend.

Right-of-use leases

	31 March 2024 £000	31 March 2023 £000
Balance at beginning of period	**1,795**	**2,323**
Additions	-	-
Disposals	-	-
Remeasurement	-	-
Interest on lease liabilities	16	26
Lease payments	(441)	(554)
Balance at end of period	**1,370**	**1,795**
Non-current	942	1,370
Current	428	425

Notes to the consolidated financial statements for the year ended 31 March 2024

Group maturity analysis of right-of-use lease liabilities

	31 March 2024 £000	31 March 2023 £000
Within one year	428	426
Between one year and two years	432	428
Between two years and five years	511	941
	1,370	**1,795**

Analysis of amounts included in the Group comprehensive statement of profit or loss

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
Depreciation of right-of-use assets	396	494
Interest on lease liabilities	16	26
Total	**412**	**520**

Analysis of amounts included in the statement of cashflows

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000
Lease payments	(441)	(554)
Total	**(441)**	**(554)**

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed.

Notes to the consolidated financial statements for the year ended 31 March 2024

17. Deferred tax

	31 March 2024 £000	31 March 2023 £000
Deferred tax asset	3	23,911
Deferred tax liability	(59,799)	(34,445)
Net deferred tax liability	**(59,796)**	**(10,534)**

Deferred tax assets and deferred tax liabilities relating to the same tax authority are presented net in the Group's balance sheet.

	31 March 2023 £000	Profit or Loss Account (charge)/credit £000	31 March 2024 £000
Trading losses	23,911	(23,911)	**-**
Tangible assets	-	3	**3**
Total deferred tax assets	**23,911**	**(23,908)**	**3**
Financial assets	(34,445)	(25,354)	**(59,799)**
Total deferred tax liabilities	**(34,445)**	**(25,354)**	**(59,799)**
Net total deferred tax liability	**(10,534)**	**(49,262)**	**(59,796)**

Deferred tax assets of £nil (31 March 2023: £23,911k) have been recognised on current year tax losses of £nil (31 March 2023: £95,643k). The deferred tax asset of £23,911k carried forward from the year ended 31 March 2023 was utilised in full during the current reporting period. Deferred tax assets of £3k have been recognised on temporary timing differences on tangible assets (31 March 2023: £nil).

A deferred tax liability of £59,799k has been recognised in respect of timing differences on the realisation of equities and investment funds at 31 March 2024 (31 March 2023: £34,445k).

In accordance with IAS 1, all deferred tax assets and liabilities are classified as non-current. The amount of deferred tax asset expected to be recovered after more than 12 months is £3k (31 March 2023: £23,911k).

Notes to the consolidated financial statements for the year ended 31 March 2024

18. Movement in retained earnings

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000 Restated[1]
Retained earnings at beginning of period	6,254,902	6,242,843
Profit for the financial period	320,016	84,079
Dividends paid to Members	(33,093)	(72,018)
Retained earnings at end of period	**6,541,827**	**6,254,902**

Notes:

1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 for further details.

19. Group structure

Controlled entities

This section lists the Group's controlled entities. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at 31 March 2024 and the results for the financial year then ended.

The Group has no controlling entity.

	Company number	Country of incorporation	Date of incorporation	31 March 2024 %	31 March 2023 %
ULTIMATE PARENT ENTITY					
Pool Reinsurance Company Limited					
CONTROLLED ENTITIES					
Pool Re Services Limited[1, 2]	13679394	United Kingdom	14/10/2021	100	100
Pool Re Solutions Limited[1, 2]	13610468	United Kingdom	08/09/2021	100	100

Notes:

1 - Pool Re Services Limited and Pool Re Solutions Limited were dormant until 1 October 2023 and not consolidated in the Group's financial statements for the 15-month period ended 31 March 2023.

2 - The registered address for Pool Re Services Limited and Pool Re Solutions Limited is Equitable House, 47 King William Street, London, EC4R 9AF, United Kingdom.

Notes to the consolidated financial statements for the year ended 31 March 2024

20. Distribution to Members

At an Extraordinary General Meeting held on 21 November 2014, amendments to the Retrocession Agreement between Pool Re and Government were approved by the Members. The terms, which took effect from 1 January 2015, include the provision for the Company to pay a dividend to Members in the event that it has earned a profit in the period, equal to 25% of the profit after tax, before further premium is payable to Government.

The Board declared such a dividend on 4 September 2023 in respect of its results for the 15-month period ending 31 March 2023. The amount of the dividend paid was £33,093k (in respect of the 12-month period ending 31 December 2021: £72,018k).

21. Floating charge over the Group's assets

On 7 September 1993 and on 2 February 2017 the Group executed debenture deeds granting Government floating charges over the Group's assets. The deeds and associated charges relate respectively to the Retrocession Agreements applicable up to and including 31 December 2014 and from 1 January 2015. The terms of the charges restrict the Group from creating further charges without the consent of Government. The floating charges crystallise and take effect as a fixed charge in the event, inter alia, of default by the Group in meeting certain of its obligations to Government under the relevant Retrocession Agreement and upon termination of that agreement.

22. Related party transactions

The Group has related party relationships with the Government, in addition to its subsidiaries and Directors.

a) Government

The Company is classified as an Arm's Length Body (ALB) of HM Treasury, following classification to the central Government subsector by the Office of National Statistics. Information contained within the Group's Annual Report and Accounts is consolidated into the HM Treasury Group accounts, thereby giving rise to a relationship with HM Treasury, Government departments and central Government bodies.

The Group's material balances with departments and bodies of Government comprise amounts owed to HM Treasury as detailed in notes 3(e) and 6 and amounts owed to HM Revenue & Customs for corporation tax, VAT, and other employment related taxes. The Group's investment strategy permits its investment in UK Government debt issued by HM Treasury. As at 31 March 2024, the Group's direct holdings of UK Government debt was £981,177k (31 March 2023: £1,699,042k). This excludes any indirect holdings via mutual funds.

Other Government-related transactions include payments to the Home Office and the Metropolitan Police Service, totalling £679k (31 March 2023: £1,139k) in respect of project funding, and the Group's regulator, the Financial Conduct Authority, all of whom are ultimately controlled by the Government. All fees payable were made in the ordinary course of business and are not unusual in their nature or conditions.

Notes to the consolidated financial statements for the year ended 31 March 2024

b) Key management personnel

Key management includes Executive and Non-Executive Directors. The Group has not entered into any transaction with Directors of the Group or their immediate relatives, other than the emoluments that are paid. Key management compensation is disclosed in total in Note nine.

c) Directors and Officers shared with Pool Re Members

In the normal course of its operations, the Group has entered into transactions with Member insurers of the Pool Re Scheme, whose Directors and Officers include Non-Executive Directors of the Group. All such transactions relate to inwards reinsurance business, and were completed on market terms.

Details of transactions entered into and the balances with the Member insurers are as follows:

Member insurer	Non-Executive Director	Relationship with Member	12 months to 31 March 2024 Transactions £000	31 March 2024 Balance outstanding £000	15 months to 31 March 2023 Transactions £000	31 March 2023 Balance outstanding £000
Allianz	Colm Holmes	Director and CEO	20,975	6,165	24,675	6,451
Aviva	Owen Morris	Personal Lines MD	44,422	8,684	57,466	9,270
AXA	Claudio Gienal[1]	Director and CEO	12,576	-	20,324	5,526
Berkshire Hathaway	Barbara Merry	NED	357	55	449	63
Liberty Mutual	Matthew Moore	Director & President of Underwriting	4,619	1,006	4,452	672
RSA	Kenneth Norgrove	Director and CEO	22,971	4,518	25,946	4,904

Notes:
1 - Claudio Gienal resigned from the position of Non-Executive Director on 31 December 2023, with total related party transactions presented to date of resignation.

d) Subsidiaries

Transactions between the Company and its subsidiaries that are deemed to be related parties have been eliminated upon consolidation and are not disclosed in these notes. Further details of the Group structure are included in note 19 of these financial statements.

23. Subsequent events

There were no subsequent events to declare after the reporting period.

24. Date of authorisation for issue of the financial statements

These financial statements were authorised for issue by a director of the Company on the date of the audit report.

Parent company statement of financial position

As at 31 March 2024

	Notes[2]	31 March 2024 £000	31 March 2023 £000 Restated[1]
ASSETS			
Property, plant and equipment	*2**	1,218	1,669
Investment in subsidiaries	*3**	199	-
Deferred tax assets	*4**	-	-
Financial assets carried at fair value	*11*	6,860,729	6,553,921
Insurance contract assets	*15(i)*	140	145
Reinsurance contract assets	*15(ii)*	4,577	558
Trade and other receivables	*5**	142,505	134,839
Current tax assets		701	3,463
Cash and cash equivalents	*6**	269,735	168,498
Total assets		**7,279,802**	**6,863,093**
EQUITY AND LIABILITIES			
Retained earnings	*7**	6,541,837	6,254,902
Total equity		**6,541,837**	**6,254,902**
LIABILITIES			
Deferred tax liabilities	*4**	59,799	10,534
Insurance contract liabilities	*15(i)*	64,171	66,604
Reinsurance contract liabilities	*15(ii)*	353,866	362,196
Financial liabilities carried at fair value	*11*	25,371	7,804
Current tax liabilities		-	-
Trade and other payables	*8**	234,759	161,053
Total liabilities		**737,965**	**608,191**
Total equity and liabilities		**7,279,802**	**6,863,093**

Notes:

1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See Note 3 for further details.

2 - References to the notes refer to those of the consolidated financial statements. References to notes denoted with '*' refer to the notes to the parent company financial statements.

The financial statements on pages 183 to 186 were approved by the Board of Directors on 25 July 2024 and signed on its behalf by:

Tom Clementi

Tom Clementi
Chief Executive Officer

Company number: 2798901

The notes on pages 187 to 190 form an integral part of these financial statements.

Parent company statement of changes in equity

For the year ended 31 March 2024

	Notes[2]	£000 Restated[1]
Balance at 1 January 2022, as previously stated		**6,214,782**
Impact of change in accounting policy	*3(a)(i)*	28,061
Restated balance at 1 January 2022		**6,242,843**
Restated profit for the period	*3(a)(i)*	84,079
Dividends paid to Members	*20*	(72,018)
Restated balance at 31 March 2023		**6,254,902**
Balance at 1 April 2023		**6,254,902**
Profit for the year		320,026
Dividends paid to Members	*20*	(33,093)
Balance at end 31 March 2024		**6,541,837**

Notes:

1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See Note 3 of the consolidated financial statements for further details.

2 - References to the notes refer to those of the consolidated financial statements. References to notes denoted with '*' refer to the notes on the parent company financial statements.

Parent company statement of cash flows

For the year ended 31 March 2024

	Notes[2]	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000 Restated[1, 2]
OPERATING ACTIVITIES			
Profit before tax		404,835	58,570
ADJUSTMENTS FOR:			
Net foreign exchange loss/(gain)		106,755	(309,102)
Net (gains)/losses on financial assets/liabilities carried at fair value		(377,207)	426,165
Income from financial assets carried at fair value		(180,435)	(157,761)
Profit on disposal of property, plant and equipment		(9)	-
Depreciation	2*	486	672
Interest expense		3,034	1,946
Share of results in subsidiaries		(199)	-
CHANGES IN OPERATIONAL ASSETS AND LIABILITIES:			
Changes in insurance and reinsurance contract assets/ liabilities		(14,776)	(180,289)
Proceeds from sale of financial assets carried at fair value		5,781,949	11,475,032
Purchase of financial assets carried at fair value		(5,677,127)	(11,371,156)
Increase in investment and other receivables		(18,813)	(2,950)
(Decrease)/increase in investment and other payables		(7,987)	50,915
Cash generated from operations		**20,508**	**(7,957)**
Taxation paid		(32,782)	1,266
Interest paid		(25,932)	(31,343)
Interest received		145,454	123,166
Dividends received		16,667	34,594
Net cash flows from operating activities		**123,914**	**119,726**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	2*	(26)	(42)
Net cash flows used in investing activities		**(26)**	**(42)**
FINANCING ACTIVITIES			
Dividends paid to Members	20	(33,093)	(72,018)
Lease payments	16	(441)	(552)
Net cash flows used in financing activities		**(33,534)**	**(72,569)**
Net increase in cash and cash equivalents		**90,354**	**47,115**
Opening cash and cash equivalents balance	6*	168,498	101,712
Net increase in cash and cash equivalents		90,354	47,115
Effect of exchange rate fluctuations on cash and cash equivalents		7,596	19,671
Closing cash and cash equivalents balance	**6***	**266,448**	**168,498**

Notes:

1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 for further details.

2 - References to the notes refer to those of the consolidated financial statements. References to notes denoted with '*' refer to the notes to the parent company financial statements.

Notes to the parent company financial statements for the year ended 31 March 2024

1. Basis of preparation

Full details on the basis of preparation are set out in note two on the consolidated financial statements.

In accordance with the exemption permitted under Section 408 of the Companies Act 2006, the Company's statement of profit or loss and related notes have not been presented in these separate financial statements.

2. Tangible assets

	Right of use assets £000	Computer and telephone equipment £000	Fixtures and fittings £000	Furniture £000	Total £000
BOOK COST					
As at 1 April 2023	3,947	189	1,462	356	5,954
Additions	-	83	28	5	116
Disposals	-	(253)	(5)	(54)	(312)
As at 31 March 2024	**3,947**	**20**	**1,485**	**307**	**5,759**
ACCUMULATED DEPRECIATION					
As at 1 April 2023	2,532	165	1,263	325	4,285
Charge for the year	396	27	51	12	486
Disposals	-	(172)	(5)	(53)	(230)
As at 31 March 2024	**2,928**	**20**	**1,309**	**284**	**4,541**
NET BOOK VALUE:					
As at 31 March 2024	**1,019**	**-**	**176**	**24**	**1,218**

	Right of use assets £000	Computer and telephone equipment £000	Fixtures and fittings £000	Furniture £000	Total £000
BOOK COST					
As at 1 January 2022	3,947	199	1,446	356	5,948
Additions	-	30	16	-	46
Disposals	-	(40)	-	-	(40)
As at 31 March 2023	**3,947**	**189**	**1,462**	**356**	**5,954**
ACCUMULATED DEPRECIATION					
As at 1 January 2022	2,038	158	1,168	286	3,650
Charge for the year	494	43	95	39	671
Disposals	-	(36)	-	-	(36)
As at 31 March 2023	**2,532**	**165**	**1,263**	**325**	**4,285**
NET BOOK VALUE					
As at 31 March 2023	**1,415**	**24**	**199**	**31**	**1,669**

Notes to the parent company financial statements for the year ended 31 March 2024

The charge for depreciation for the 12-month period ending 31 March 2025 was £486k (15-month period ending 31 March 2023: £671k).

Depreciation for right-of-use assets includes £394k (31 March 2023: £492k) for office leasing and £2k (31 March 2023: £2k) for office equipment leasing.

3. Investment in subsidiaries

	31 March 2024 £000	31 March 2023 £000
Opening investment in subsidiary undertakings	-	-
Additional investment in subsidiary undertakings	199	-
Closing investment in subsidiary undertakings	**199**	**-**

Further details of the Group structure are included in note 19 of the consolidated financial statements.

4. Deferred tax

	31 March 2024 £000	31 March 2023 £000
Deferred tax asset	-	23,911
Deferred tax liability	(59,799)	(34,445)
Net deferred tax liability	**(59,799)**	**(10,534)**

Deferred tax assets and deferred tax liabilities relating to the same tax authority are presented net in the Company's balance sheet.

	31 March 2023 £000	Profit or loss account (charge)/credit £000	31 March 2024 £000
Trading losses	23,911	(23,911)	-
Tangible assets	-	-	-
Total deferred tax assets	**23,911**	**(23,911)**	**-**
Financial assets	(34,445)	(25,354)	(59,799)
Total deferred tax liabilities	**(34,445)**	**(25,354)**	**(59,799)**
Net total deferred tax liability	**(10,534)**	**(49,265)**	**(59,799)**

Deferred tax assets of £nil (31 March 2023: £23,911k) have been recognised on current year tax losses of £nil (31 March 2023: £95,643k). The deferred tax asset of £23,911k carried forward from the year ended 31 March 2023 was utilised in full during the current reporting period.

A deferred tax liability of £59,799k has been recognised in respect of timing differences on the realisation of equities and investment funds at 31 March 2024 (31 March 2023: £34,445k).

In accordance with IAS 1, all deferred tax assets and liabilities are classified as non-current. The amount of deferred tax asset expected to be recovered after more than 12 months is £nil (31 March 2023: £23,911k).

Notes to the parent company financial statements for the year ended 31 March 2024

5. Investment and other receivables

	31 March 2024 **£000**	31 March 2023 **£000** **Restated[1]**
Prepayments and accrued income	49,717	32,558
Other receivables:		
Investment debtors	90,924	101,967
Amounts due from Group undertakings	1,442	-
Other debtors	422	314
Total investment and other receivables	**142,505**	**134,839**

The amounts expected to be recovered before and after one year are estimated as follows:

	31 March 2024 **£000**	31 March 2023 **£000** **Restated[1]**
Within one year	142,505	134,839
After one year	-	-
	142,505	**134,839**

Notes:
1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 to the consolidated financial statements for further details.

There is no significant credit risk within investment and other receivables. The Company recognised a loss of £nil (31 March 2023: £nil) for the impairment of receivables during the year ended 31 March 2024.

6. Cash and cash equivalents

	31 March 2024 **£000**	31 March 2023 **£000**
Cash at bank and in hand	44,367	25,531
Short-term deposits	225,367	142,967
Cash and cash equivalents per the statement of financial position	**269,735**	**168,498**
Bank overdrafts	(3,287)	-
Cash and cash equivalents	**266,448**	**168,498**

Short-term deposits include debt securities with an original maturity date of fewer than three months and money market funds.

Notes to the parent company financial statements for the year ended 31 March 2024

7. Movement in retained earnings

	12 months to 31 March 2024 £000	15 months to 31 March 2023 £000 Restated[1]
Retained earnings at beginning of period	6,254,902	6,242,843
Profit for the financial period	320,041	84,079
Dividends paid to Members	(33,093)	(72,018)
Retained earnings at end of period	**6,541,852**	**6,254,902**

Notes:
1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 to the consolidated financial statements for further details.

8. Investment and other payables

	31 March 2024 £000	31 March 2023 £000 Restated[1]
Social security and other taxes payable	46	229
Investment creditors	223,067	154,936
Lease liabilities[2]	1,370	1,795
Bank overdrafts	3,287	-
Amounts due to Group undertakings	1,919	-
Other creditors	189	544
	229,879	**157,504**
Accruals	4,880	3,550
Total investment and other payables	**234,759**	**161,053**

The amounts expected to be settled before one year and after one year are estimated as follows:

	31 March 2024 £000	31 March 2023 £000 Restated[1]
Within one year	228,937	156,134
After one year	942	1,370
	229,879	**157,504**

Notes:
1 - Prior period comparatives have been restated on transition to IFRS 17 Insurance Contracts. See note 3 to the consolidated financial statements for further details.
2 - The Company has two leases, details of which are included in note 16 to the consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2024

9. Related party transactions

Further details of related party transactions are included in note 22 to the consolidated financial statements.

Intra-Group transactions

		31 March 2024 **£000** **Related party balances**	12 months to 31 March 2024 **£000** **Related party transactions**	31 March 2023 **£000** **Related party balances**	15 months to 31 March 2023 **£000** **Related party transactions**
Relationships	**Related party balances:**				
Subsidiary	Due (to)/from Pool Re Services Limited	(697)	(10,183)	-	-
Subsidiary	Due (to)/from Pool Re Solutions Limited	220	(1,611)	-	-
Total related party balances		**(477)**	**(11,794)**	**-**	**-**

Profile of membership

As at 31 March 2024	Number of Members	Percentage of Members	Number of votes	Percentage of votes
ANALYSIS BY JURISDICTION				
Austria	1	0.7%	1	0.0%
Belgium	2	1.4%	16	0.6%
Bermuda	1	0.7%	3	0.1%
France	2	1.4%	-	0.0%
Germany	2	1.4%	2	0.1%
Gibraltar	2	1.4%	-	0.0%
Guernsey	18	12.8%	78	2.9%
Ireland	13	9.2%	87	3.2%
Isle of Man	9	6.4%	47	1.7%
Italy	1	0.7%	1	0.0%
Liechtenstein	2	1.4%	4	0.1%
Luxembourg	3	2.1%	2	0.1%
United Kingdom	58	41.2%	2,448	89.7%
United States of America	3	2.1%	10	0.4%
	117	**83.0%**	**2,699**	**98.9%**
Active underwriters of Lloyd’s syndicates	24	17.0%	29	1.1%
	141	**100.0%**	**2,728**	**100.0%**

Notes to the consolidated financial statements for the year ended 31 March 2024

As at 31 March 2024	Number of Members	Percentage of Members	Number of votes	Percentage of votes
ANALYSIS BY NUMBER OF VOTES				
0	36	25.5%	-	0.0%
1-25	83	58.9%	339	12.4%
26-50	11	7.8%	397	14.6%
51-100	5	3.5%	340	12.5%
101-150				
151-200	2	1.4%	346	12.7%
201-250	2	1.4%	456	16.7%
251-300				
301-350	1	0.7%	307	11.3%
351-400				
401-450				
451-500				
501-550	1	0.7%	543	19.9%
551-600				
601-650				
651-700				
	141	**100%**	**2,728**	**100%**

Under Article 33 of the Articles of Association, any insurer who becomes a Member shall have one vote until the end of the calendar year in which they became a Member. Thereafter, under the provisions of Article 31, a Member has one vote for each £100,000 of premium or part thereof for reinsurance placed with the Group in the calendar year prior to the poll. Under Article 32, if data for the prior calendar year is not available when the votes are to be cast, data from the previous prior calendar year may be used.

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