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Hiscox Ltd 2022 restatements under IFRS 17

Hamilton, Bermuda (8 June 2023) – Hiscox Ltd (LSE:HSX), the international specialist insurer, today publishes its full year and half year 2022 restated financial results under IFRS 17.

Despite the new presentation and remeasurement of numbers, there is no change in the outlook for Hiscox and any changes in guidance is purely definitional. Following an initial period of transition, over time, the Group expects greater transparency and comparability as reporting convention emerges.

	2022 Total		H1 2022	
	IFRS 17 US$m	IFRS 4 US$m	IFRS 17 US$m	IFRS 4 US$m
Insurance contract written premium[1]	$4,355.4	$4,424.9	$2,617.2	$2,649.8
Net insurance contract written premium[2]	$3,225.5	$2,980.0	$1,784.5	$1,609.3
Insurance service result	$360.9	$269.5[3]	$140.2	$123.2[3]
Investment result	$(187.3)	$(187.3)	$(214.1)	$(214.1)
Profit before tax	$275.6	$44.7	$25.4	$(107.4)
Earnings per share	73.8¢	12.1¢	9.8¢	(25.3)¢
Ordinary dividend per share	36.0¢	36.0¢	12.0¢	12.0¢
Net asset value per share	764.5¢	701.2¢	715.6¢	679.5¢
Group combined ratio	88.7%	90.6%	90.8%	91.3%
Return on equity (annualised)	10.1%	1.7%	2.6%	(6.8)%

Highlights:

- **Discounting of claims reserves** of $195.6 million has a positive impact on profit before tax to $275.6 million (IFRS 4: $44.7 million), as interest rates increased through 2022. Discounting also main contributor of a $218.3 million increase in closing shareholders' equity on transition to IFRS 17.
- **Discount unwind** of $(17.8) million and **discount rate change** of $137.8 million in 2022 are recognised outside of the insurance service result and combined ratio, flowing through the insurance finance income and expenses line. Unwind of discount on claims in 2023 is expected to be in the region of $(110.0) million to $(140.0) million, significantly higher than in 2022 when interest rates were comparatively lower.
- IFRS 17 **treatment of reinsurance commissions** increases the Group expense ratio by 4.4 percentage points and decreases the Group claims ratio by 3.8 percentage points, thus having a net increase of 0.6 percentage points on the Group combined ratio. Impact is most pronounced in Hiscox Re & ILS due to its extensive use of reinsurance, with no change in underlying profitability.
- **Seasonality** of earnings will depress underwriting result and combined ratio in H1 notably for Hiscox Re & ILS as a greater proportion of the year's premium is recognised in H2. There is no change in underlying profitability, with minimal impact on full year.
- **Reclassification of expenses** of $44.3 million from insurance service result to non-attributable expenses decreases the Group combined ratio by 1.4 percentage points.

[1] Insurance contract written premium is our top-line key performance indicator, comprising premiums on business incepting in the financial year, together with adjustments to estimates of premiums written in prior accounting periods. This growth metric is similar to Gross Written Premium under IFRS 4, and adjusted for certain items to ensure consistency with insurance revenue under IFRS 17. The adjustments primarily relate to reinstatement premium and non-claim dependent commissions.

[2] The definition of net insurance contract written premium (NICWP) has been adjusted for certain items to ensure consistency with insurance revenue under IFRS 17. The adjustments primarily relate to reinstatement premium and non-claim dependent commissions, along with reinsurance commissions offset.

[3] Includes other income of $39.9m (H1 2022: $17.6m) in the underwriting profit APM under IFRS 4, which is excluded from the IFRS 17 insurance service result. Also includes $4.2m (H1 2022: $2.4m) of other income under IFRS 4 which remains in insurance revenue under IFRS 17.

- Adopted **net/net[4] definition of combined ratio**, consistent with how the Group uses reinsurance and offers better peer comparability. We have also moved to an own share presentation of the combined ratio from 100% (unrelated to IFRS 17).
- **Hiscox Retail growth target** of (5% to 15%) unchanged. **Hiscox Retail combined ratio target** under IFRS 17 will be released with the half year results. It will be on an undiscounted basis and will incorporate the directional benefit of expense reclassification under IFRS 17.
- Total risk adjustment of $246.3 million equates to **confidence level** at 78th percentile at 31 December 2022. Hiscox aims to travel in the 75th to 85th percentile range in normal business circumstances.
- No change to the Group's strategy, economics of the business, investment result and strategic asset allocation, reserving philosophy, capital and dividend approach.

Paul Cooper, Group Chief Financial Officer, commented:

"While IFRS 17 marks a significant change in the accounting, presentation, and disclosures of our financial results, the economics of our business remain unchanged. We continue to look forward with confidence given our strong foundations, favourable market conditions and investment income outlook."

Key financial impacts of IFRS 17 adoption

Implementation of the IFRS 17 accounting standard results in significant geographical changes to the financial statements, as laid out in the supplementary notes to the summary financial statements.

Discounting has had the most significant impact on the restated financial result. It has been introduced to represent a more economic view of claims liabilities on the same discounted basis as assets, which ultimately reduces volatility in the income statement. In 2022 the benefit of discounting on profit before tax (PBT) was $195.6 million. This comprises of $75.6 million from initial discounting on recognition of claims, an $17.8 million unfavourable movement from the unwinding of the discount and a $137.8 million favourable impact from rate movements.

Importantly, discounting is ultimately a timing difference as claims are settled and the discount unwinds throughout the claims settlement period. This will have an initial favourable impact on profit as the discount is established followed by an unfavourable impact in a positive interest rate environment as the initial credit from discounting unwinds. For 2023, we estimate that the unwind is likely to be in the region of $110 to $140 million at full year, and $60 to $65 million at half year. This is significantly higher than the year before, where interest rates were comparatively lower.

Another material driver is the change in treatment of reinsurance commissions, which were previously deducted from acquisition costs and now are deducted from allocation of reinsurance premiums. This adversely impacts combined ratios of the big-ticket businesses which use reinsurance extensively with the underlying economic impact unchanged. This is a definitional step change; the more premiums that are ceded, the higher the combined ratio, which is not a reflection of the actual profitability of the business. It is important to consider the combined ratio in this context.

A third factor is the reclassification of some expenses as non-attributable recognised outside of the insurance service result, as required by the standard, resulting in a definitional benefit to the expense ratio.

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[4] The combined ratio is the total of the claims and expenses ratios. The claims ratio is calculated as incurred claims, and losses on onerous contracts net of reinsurance recoveries, as a proportion of insurance revenue net of allocation of reinsurance premiums. The expense ratio is calculated as acquisition costs and other attributable expenses, as a proportion of insurance revenue net of allocation of reinsurance premiums. All ratios are on an own share basis, reflecting the Group's share in Syndicate 33, and include a reclassification of LPT premium from allocation of reinsurance premium into amounts recoverable from reinsurers.

Key impacts on income statement

The IFRS 17 income statement presents premiums on an earned basis. Traditionally, Hiscox has used written premiums as a measure of volume growth, with a defined growth target range in place for the Retail business on this basis. To continue to provide detail on volume dynamics, two new alternative performance measures (APMs) have been introduced; insurance contract written premium (ICWP) representing gross volumes and net insurance contract written premium (NICWP) representing volumes net of reinsurance.

Growth trends are broadly consistent between IFRS 17 and IFRS 4 bases. ICWP is slightly lower than gross written premium (GWP) under IFRS 4 mainly due to reclassification of inwards reinstatement premiums to claims. NICWP is 8% higher than net written premium (NWP) in 2022 as the reinsurance contract written premium is presented net of the reinsurance commission income on outwards reinsurance under IFRS 17.

The insurance service result is the IFRS 17 equivalent to the underwriting result APM under IFRS 4, seeing an uplift of $135.5 million, excluding other income of $44.1 million from the business segments. The key driver for this increase is the introduction of discounting for claims in the period, leading to a favourable impact from discounting of claims reserves of $75.6 million, combined with the reallocation of $44.3 million of expenses from attributable to non-attributable, in line with the requirements of the new standard.

2022 profit before tax also saw an uplift of $230.9 million, driven by a net benefit from discounting and from the FX revaluation of unearned premium reserves and deferred acquisition costs. The increase in profit has a correspondingly positive impact on earnings per share (EPS) and return on equity (ROE) in 2022, although the benefit of discounting will unwind over the claims settlement period in future years, however this is a non-cash impact.

Key impacts on balance sheet

There is a $218.3 million increase in closing shareholders' equity under IFRS 17 to $2,635.0 million (IFRS 4: $2,416.7 million), mainly due to discounting driven by steep interest rate increases in the period. The resulting impact on net asset value (NAV) per share as at 31 December 2022 is an increase of 63.3¢, with the impact of initial discounting to unwind over the claims settlement period in future years.

Net reserves are greater by $177.9 million at $3,701.1 million (IFRS 4: $3,523.2 million), with an increase from the reclassification of $534.1 million of legacy portfolio transactions (LPTs) more than offsetting the decrease from discounting of $250.3 million. IFRS 17 mandates that LPTs are split into earned and unearned components, whereas previously they were recorded fully as earned.

Key performance indicators

Key performance indicator (KPI) definitions have been revised to align with the new standard.

Combined ratio remains the key profitability metric and, in-line with the IFRS 4 tradition, is on a net/net basis but now includes the impact of discounting. The definition is consistent with how the Group uses reinsurance and offers better comparability with peers. The main definitional changes are the move to an own share basis (unrelated to IFRS 17), change in classification of reinsurance commission and expense reclassification. The impact of LPTs has been reclassified in the definition as they net to nil in the insurance service result, but would have created volatility in the net COR as they distort earned premiums.

The new combined ratio calculation includes components which do not appear on the face of the IFRS 17 income statement. Additional disclosures of the breakdown of insurance service expenses and LPT premium reclassification are provided in the notes to the summary financial statements and will become a regular disclosure.

Under the new definition, 2022 Group combined ratio decreases by 1.9 percentage points from the reported IFRS 4 number to 88.7%. The transition to own share presentation increases Group combined ratio by 1.7 percentage points. This is due to the mix of Syndicate 33 business across net premiums and net claims. The IFRS 17 impact is a 3.6 percentage point decrease driven by favourable movements from discounting and reclassification of non-attributable expenses more than off-setting the negative impact from the change in treatment of reinsurance commission.

Segmental commentary

Hiscox Retail

	2022 Total		H1 2022	
	IFRS 17 US$m	IFRS 4 US$m	IFRS 17 US$m	IFRS 4 US$m
Insurance contract written premium	$2,273.1	$2,272.1	$1,237.7	$1,235.2
Net insurance contract written premium	$2,071.3	$1,976.8	$1,103.5	$1,044.3
Insurance service result	$182.5	$101.9[5]	$75.7	$44.5[5]
Profit/(loss) before tax	$130.2	$(3.4)	$4.3	$(72.2)
Combined ratio	91.0%	94.8%	92.6%	95.5%

Hiscox Retail ICWP is comparable to GWP and as a result, there is no change to the Hiscox Retail growth target range of 5% to 15%. The main difference arising between GWP and ICWP is reclassifications of reinstatement premiums which are not common to Hiscox Retail.

Hiscox Retail combined ratio for 2022 under the new definition is 91.0% (IFRS 4: 94.8%). Rebasing to an own share basis increases the opening ratio by 0.8 percentage points. The key drivers of the 4.6 percentage point reduction due to IFRS 17, are the impact of discounting (2.7 percentage point benefit), the reclassification of expenses, primarily related to brand and other certain overheads, as non-attributable (1.6 percentage point decrease).

The Hiscox Retail combined ratio target range under IFRS 17 (to replace 90% to 95% under IFRS 4 on a 100% share basis), will be quantified with our half year 2023 results, when we report under IFRS 17 for the first time. This range will be on an undiscounted basis as we have no control over interest rate movements, and it will also incorporate the directional benefit of expense reclassification. The Group's expectations of ultimate Hiscox Retail profitability and cashflows remain unchanged.

Hiscox London Market

	2022 Total		H1 2022	
	IFRS 17 US$m	IFRS 4 US$m	IFRS 17 US$m	IFRS 4 US$m
Insurance contract written premium	$1,114.7	$1,114.9	$591.8	$591.9
Net insurance contract written premium	$789.2	$735.1	$388.2	$364.4
Insurance service result	$123.3	$110.0[6]	$53.6	$46.9[6]
Profit/(loss) before tax	$101.0	$53.0	$17.8	$(15.6)
Combined ratio	84.5%	84.8%	85.6%	86.1%

The Hiscox London Market combined ratio has been restated to 84.5% (IFRS 4: 84.8%), broadly consistent to that on the IFRS 4 basis. Hiscox London Market combined ratio is increased by 1.1 percentage points by the move to an own share presentation, driven by a weighting of profits from Syndicate 33. IFRS 17 changes decrease the Hiscox London Market combined ratio by 1.4 percentage points, as the 1.2 percentage points negative impact from changes to the treatment of

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[5] Includes other income of $11.7m (H1 2022: $5.0m) in the underwriting profit APM under IFRS 4, which is excluded from the IFRS 17 insurance service result. Also includes $4.2m (H1 2022: $2.4m) of other income under IFRS 4 which remains in insurance revenue under IFRS 17.

[6] Includes other income of $7.4m (H1 2022: $3.9m) in the underwriting profit APM under IFRS 4, which is excluded from the IFRS 17 insurance service result.

reinsurance is offset by the benefit due to the impact of discounting (2.2 percentage points) and reallocation of certain expenses to non-attributable (0.5 percentage points).

Hiscox Re & ILS

	2022 Total		H1 2022	
	IFRS 17 US$m	IFRS 4 US$m	IFRS 17 US$m	IFRS 4 US$m
Insurance contract written premium	$967.6	$1,037.9	$787.7	$822.7
Net insurance contract written premium	$365.0	$268.1	$292.8	$200.6
Insurance service result	$55.1	$57.6[7]	$10.9	$31.8[7]
Profit/(loss) before tax	$46.9	$21.5	$(12.2)	$(8.0)
Combined ratio	84.5%	81.6%	91.7%	80.2%

Hiscox Re & ILS restated combined ratio increases to 84.5% (IFRS 4: 81.6%). Hiscox Re & ILS's combined ratio is increased by 4.0 percentage points by the move to an own share presentation, driven by a weighting of profits from Syndicate 33. IFRS 17 changes decrease the combined ratio by 1.1 percentage points. The key drivers are a 4.1 percentage point negative impact from the change in treatment of reinsurance (due to extensive use of third party capital) offset by the benefit from reclassification of non-attributable expenses of 2.4 percentage points (related to ILS fee income) and discounting of 1.1 percentage points, which is less pronounced compared with other business units due to the shorter duration of the Hiscox Re & ILS book.

The overall increase in the combined ratio is not a reflection of any change in the underlying profitability of the business but rather an outcome of the transition to own share presentation and change in treatment of reinsurance commission income, where commissions were previously deducted from acquisition costs, however they are now deducted from allocation of reinsurance premiums. To make this point clear, we will be disclosing the drag on Hiscox Re & ILS's combined ratio from the impact of reinsurance treatment.

Seasonality has a markedly greater impact on the Hiscox Re & ILS business, where insurance revenue is earned in line with the risk profile of the business, with the majority of premium to earn in the second half of the year. This leads to a disproportionate impact on profit in the first half of the year with a negative impact of $16.7 million in 2022. Importantly, this impact reverses in the second half of 2022. This trend will be similar in future years. As we deployed capital and benefitted from significant rate increases in our natural catastrophe lines in 2023, the majority of these premiums will be earned in the second half of the year meaning that at half year the insurance service result will be lower and combined ratio higher.

Reserves and confidence level

The Group remains conservatively reserved with limited financial impact on transition and our prudent reserving philosophy remains unchanged.

Under IFRS 17, the risk adjustment of $246.3 million replaces the IFRS 4 reserve margin, with events not in data being reclassified from margin to best estimate. This risk adjustment equates to confidence level at the 78th percentile at the end of 2022.

Going forward we expect to travel in the 75% - 85% range, under normal business circumstances, demonstrating our continued prudent reserving approach.

Concluding remarks

While IFRS 17 marks a significant change in the accounting, presentation, and disclosures of our financial results, the economics of our business remain unchanged. We continue to look forward with

[7] Includes other income of $20.8m (H1 2022: $8.7m) in the underwriting profit APM under IFRS 4, which is excluded from the IFRS 17 insurance service result.

confidence given our strong foundations, favourable market conditions and investment income outlook.

More details on the IFRS 17 impact on the Group's financial results can be found in the analysts' presentation that accompanies this statement on www.hiscoxgroup.com.

ENDS

A conference call for investors and analysts will be held at 9:00 BST on Thursday, 8 June 2023.

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Notes to editors

About The Hiscox Group

Hiscox is a global specialist insurer, headquartered in Bermuda and listed on the London Stock Exchange (LSE:HSX). Our ambition is to be a respected specialist insurer with a diverse portfolio by product and geography. We believe that building balance between catastrophe-exposed business and less volatile local specialty business gives us opportunities for profitable growth throughout the insurance cycle.

The Hiscox Group employs over 3,000 people in 14 countries, and has customers worldwide. Through the retail businesses in the UK, Europe, Asia and the USA, we offer a range of specialist insurance for professionals and business customers as well as homeowners. Internationally traded, bigger ticket business and reinsurance is underwritten through Hiscox London Market and Hiscox Re & ILS.

Our values define our business, with a focus on people, courage, ownership and integrity. We pride ourselves on being true to our word and our award-winning claims service is testament to that. For more information, visit www.hiscoxgroup.com.

Consolidated restated summary financial statements
Restated consolidated income statement

	Notes	For the year ended 31 Dec 2022 (restated*) $m	Six months to 30 June 2022 (restated*) $m
Insurance revenue	3	**4,273.3**	1,880.5
Insurance service expenses	3	**(3,485.9)**	(1,468.9)
Insurance service result before reinsurance contracts held		**787.4**	411.6
Allocation of reinsurance premiums	3	**(1,264.8)**	(423.0)
Amounts recoverable from reinsurers for incurred claims	3	**838.3**	151.6
Net income/(expense) from reinsurance contracts held		**(426.5)**	(271.4)
Insurance service result	3	**360.9**	140.2
Investment result	3,6	**(187.3)**	(214.1)
Net finance income from insurance contracts	3,6	**213.7**	165.2
Net finance expenses from reinsurance contracts	3,6	**(102.1)**	(77.4)
Net insurance finance income	3,6	**111.6**	87.8
Net insurance and investment result	3	**285.2**	13.9
Other income	7	**42.3**	18.7
Other operational expenses		**(67.8)**	(34.5)
Net foreign exchange gains		**54.7**	45.7
Other finance costs	8	**(39.7)**	(18.4)
Share of profit of associates after tax		**0.9**	-
Profit before tax		**275.6**	25.4
Tax (expense)/credit	9	**(21.7)**	8.2
Profit for the period (all attributable to owners of the Company)		**253.9**	33.6
Earnings per share on profit attributable to owners of the Company			
Basic	10	**73.8¢**	9.8¢

* restated for the adoption of IFRS 17 and IFRS 9, see note 1.1.

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Restated consolidated statement of comprehensive income

	For the year ended 31 Dec 2022 (restated*)	Six months to 30 June 2022 (restated*)
	$m	$m
Profit for the period	**253.9**	33.6
Other comprehensive income		
Items that will not be reclassified to the income statement:		
Remeasurements of the net defined benefit pension scheme	**34.9**	34.4
Income tax effect	**(7.7)**	(10.8)
	27.2	23.6
Items that may be reclassified subsequently to the income statement:		
Exchange losses on translating foreign operations	**(118.0)**	(91.2)
	(118.0)	(91.2)
Other comprehensive income net of tax	**(90.8)**	(67.6)
Total comprehensive income for the period (all attributable to owners of the Company)	**163.1**	(34.0)

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Restated consolidated balance sheet

	31 December 2022 (restated) $m	30 June 2022 (restated) $m	1 January 2022 (restated) $m
Assets			
Employee retirement benefit asset	**20.9**	20.9	-
Goodwill and intangible assets	**320.4**	302.8	313.1
Property, plant and equipment	**133.1**	132.0	90.4
Investments in associates	**5.6**	5.2	5.7
Deferred tax assets	**38.2**	71.2	70.3
Financial assets carried at fair value	**5,812.1**	5,684.2	6,041.3
Reinsurance contract held assets	**2,517.2**	2,720.1	2,856.9
Loans and receivables	**160.6**	206.7	155.4
Current tax assets	**4.0**	8.2	4.9
Cash and cash equivalents	**1,350.9**	1,413.9	1,300.7
Total assets	**10,363.0**	10,565.2	10,838.7
Equity and liabilities			
Shareholders' equity			
Share capital	**38.7**	38.7	38.7
Share premium	**517.6**	517.2	516.8
Contributed surplus	**184.0**	184.0	184.0
Currency translation reserve	**(404.2)**	(377.4)	(286.2)
Retained earnings	**2,297.8**	2,100.9	2,108.8
Equity attributable to owners of the Company	**2,633.9**	2,463.4	2,562.1
Non-controlling interest	**1.1**	1.1	1.1
Total equity	**2,635.0**	2,464.5	2,563.2
Employee retirement benefit obligations	**-**	-	35.1
Deferred tax liabilities	**4.1**	16.0	4.5
Insurance contract liabilities	**6,694.3**	6,732.9	7,186.9
Financial liabilities	**636.2**	683.2	746.7
Current tax liabilities	**14.1**	17.2	21.3
Trade and other payables	**379.3**	651.4	281.0
Total liabilities	**7,728.0**	8,100.7	8,275.5
Total equity and liabilities	**10,363.0**	10,565.2	10,838.7

Restated consolidated statement of changes in equity

Restated

	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 31 December 2021 (as previously reported)	38.7	516.8	184.0	(289.3)	2,088.0	2,538.2	1.1	2,539.3
IFRS 17 and IFRS 9 opening equity adjustments (note 1.1)	-	-	-	3.1	20.8	23.9	-	23.9
Balance at 1 January 2022 (as restated)	38.7	516.8	184.0	(286.2)	2,108.8	2,562.1	1.1	2,563.2
Profit for the period (all attributable to owners of the Company)	-	-	-	-	253.9	253.9	-	253.9
Other comprehensive income net of tax (all attributable to owners of the Company)	-	-	-	(118.0)	27.2	(90.8)	-	(90.8)
Employee share options:								
Equity settled share-based payments	-	-	-	-	27.2	27.2	-	27.2
Proceeds from shares issued	-	0.1	-	-	-	0.1	-	0.1
Deferred and current tax on employee share options	-	-	-	-	1.2	1.2	-	1.2
Shares issued in relation to Scrip Dividend	-	0.7	-	-	-	0.7	-	0.7
Dividends paid to owners of the Company	-	-	-	-	(120.5)	(120.5)	-	(120.5)
Balance at 31 December 2022	**38.7**	**517.6**	**184.0**	**(404.2)**	**2,297.8**	**2,633.9**	**1.1**	**2,635.0**

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Restated consolidated statement of changes in equity (continued)

								Restated
	Share capital	Share premium	Contributed surplus	Currency translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 31 December 2021 (as previously reported)	38.7	516.8	184.0	(289.3)	2,088.0	2,538.2	1.1	2,539.3
IFRS 17 and IFRS 9 opening equity adjustments (note 1.1)	-	-	-	3.1	20.8	23.9	-	23.9
Balance at 1 January 2022 (as restated)	38.7	516.8	184.0	(286.2)	2,108.8	2,562.1	1.1	2,563.2
Profit for the period (all attributable to owners of the Company)	-	-	-	-	33.6	33.6	-	33.6
Other comprehensive income net of tax (all attributable to owners of the Company)	-	-	-	(91.2)	23.6	(67.6)	-	(67.6)
Employee share options:								
Equity settled share-based payments	-	-	-	-	13.8	13.8	-	13.8
Proceeds from shares issued		0.1	-	-	-	0.1	-	0.1
Deferred and current tax on employee share options	-	-	-	-	0.3	0.3	-	0.3
Shares issued in relation to Scrip Dividend	-	0.3	-	-	-	0.3	-	0.3
Dividends paid to owners of the Company	-	-	-	-	(79.2)	(79.2)	-	(79.2)
Balance at 30 June 2022	38.7	517.2	184.0	(377.4)	2,100.9	2,463.4	1.1	2,464.5

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Notes to the consolidated restated summary financial statements

1. Basis of preparation

The Group adopted IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts on 1 January 2023 on a fully retrospective basis. These consolidated restated summary financial statements detail the Group's summary of new accounting policies for financial instruments and insurance contracts and illustrates the impact of adopting IFRS 9 and IFRS 17 on the Group's previously published consolidated financial statements as at 31 December 2022 and 30 June 2022 prepared in accordance with UK-adopted International Accounting Standards. It also includes selected new or modified disclosures required. These consolidated restated summary financial statements are not audited or reviewed.

1.1 New and amended accounting standards adopted by the Group

In these consolidated restated summary financial statements, the Group has applied IFRS 17 and IFRS 9 for the first time.

1.1.1 IFRS 17 Insurance Contracts

The Group has restated results for 2022 applying the full retrospective transitional provisions of IFRS 17 Insurance Contracts.

The nature of the changes in accounting policies can be summarised, as follows:

The Group was permitted under IFRS 4 Insurance Contracts to continue to adopt the existing accounting policies that were applied prior to the adoption of IFRS ('grandfathered') or the date of the acquisition of a subsidiary. IFRS 17 replaces IFRS 4 and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes specific principles for the recognition, measurement and presentation of insurance contracts issued and reinsurance contracts held by the Group. Under IFRS 17, the liability for incurred claims (LIC) is equivalent 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 equivalent to unearned premium liabilities for premiums received.

Measurement
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, an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. A simplification, the Premium Allocation Approach (PAA), can be applied if certain eligibility criteria are met. The majority of the Group's policies have a coverage period of 12 months or less and so are eligible for the PAA. Management applies significant judgements 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 GMM. Management has concluded that a majority of the Group's insurance contracts issued and reinsurance contracts held meet the criteria and the PAA is applied to measure them.

The measurement principles differ from the approach used by the Group under IFRS 4. The key areas are:

- the LRC reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in insurance service revenue.;
- measurement of the LRC does not require separate identification of the risk adjustment for non-financial risk and the contractual service margin (CSM);
- measurement of the LRC is adjusted if a group of contracts is expected to be onerous (i.e. loss making) over the remaining coverage period and a loss is recognised immediately in the income statement under 'insurance service expenses' with the recoveries in 'amounts recoverable from reinsurers for incurred claims'. A loss component is measured as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group of contracts;
- measurement of the liability for incurred claims (LIC) is determined on a probability-weighted expected value basis. In contrast to IFRS 4, the LIC is discounted. The LIC also includes an explicit risk adjustment to compensate for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses;

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1.1 New and amended accounting standards adopted by the Group
1.1.1 IFRS 17 Insurance Contracts (continued)
Measurement (continued)

- the discount rates used to calculate the LIC are constructed using risk free rates, plus an illiquidity premium, where applicable. Risk free are determined by reference to the market observable data (swap rates or highly liquid sovereign bonds) in the currencies of the respective (re)insurance contract liabilities. The illiquidity premium is determined based on market observable illiquidity premiums in financial assets, adjusted to reflect the liquidity characteristics of the liability cash flows;
- the risk adjustment for non-financial risk is the estimated compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. Management applies significant judgements in determining the risk adjustment amount;
- measurement of the reinsurance contract asset for remaining coverage (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 contracts;
- measurement of the reinsurance asset for incurred claims (AIC) is similar to the LIC as set out above except for the adjustment for the effect of the risk of reinsurer's non-performance;
- the expected premium received is recognised in the consolidated income statement as part of insurance service revenue over the insurance coverage period on the basis of the passage of time unless the expected pattern of release from risk differs significantly from the passage of time, in which case it is recognised based on the expected timing of incurred claims and benefits;
- all insurance and reinsurance contract assets and liabilities are monetary items. As a result, those balances denominated in foreign currencies are subject to revaluation at foreign exchange rates prevailing at the reporting date, with the impact of changes in foreign exchange rates recognised in the income statement;
- under IFRS 4, acquisition costs were recognised and presented separately as 'deferred acquisition costs'. Under IFRS 17, the Group has taken the option to include directly attributable acquisition cash flows in the LRC which are tested separately for recoverability and are amortised as part of insurance service expenses.

Changes to presentation and disclosure
The presentation of the income statement has changed, with premium and claims figures being replaced with insurance contract revenue, insurance service expense and insurance finance income and expense. Gross and net written premium are no longer presented on the face of the consolidated income statement.

Further, reinsurance commission income that is contingent on claims, e.g. profit commission income, is treated as a part of claims recoveries cash flows and that which is not contingent on claims, e.g. overrider commission, is accounted for as part of premium paid or received cash flows.

Transition
On transition date, 1 January 2022, the Group:
- has identified, recognised and measured each group of insurance contracts as if IFRS 17 requirements had always applied;
- derecognised any existing balances that would not exist had IFRS 17 requirements always applied;
- performed a PAA eligibility assessment for the 2021 and prior unexpired groups of insurance and reinsurance contracts with coverage periods of longer than 12 months;
- the net impact to equity at 1 January 2022 was $25.1 million (increase) driven by the following factors:
  - the application of the discounting of the insurance contract liabilities and assets of $55.0 million (increase); and
  - offset by other differences including the recognition of onerous contract net loss components, non-performance risk, and alignment of risk adjustment and accounting policies on a consistent basis under IFRS17 of $29.9 million (decrease).

1.1.2 IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial instruments with effect from 1 January 2023. IFRS 9 replaces IAS 39 and addresses the classification and measurement of financial assets and liabilities; impairment of financial assets; and general hedge accounting. The results for 2022 have been restated with adjustments to the carrying amounts of financial assets and liabilities at the date of transition recognised in retained earnings.

The adoption of IFRS 9 has resulted in changes to the Group's accounting policies for recognition, classification and measurement of financial assets and liabilities.

Transition

On the transition date, 1 January 2022, the net impact recognised in equity is $1.2 million (decrease) driven by the recognition of expected credit losses (ECL) under IFRS 9 for financial assets carried at amortised cost, net of tax.

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1.1 New and amended accounting standards adopted by the Group
1.1.2 IFRS 9 Financial Instruments(continued)

Classification and measurement of financial instruments

IFRS 9 contains three principal classification categories for financial assets: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss (FVPL). On transition to IFRS 9, the Group assessed the business models and contractual cash flows of its financial instruments.

The following table reconciles the carrying amounts of financial instruments, from their previous measurement category in accordance with IAS 39, to the measurement categories upon transition to IFRS 9 on 1 January 2022, including any re-measurement impact. Certain balances previously disclosed within Trade and other receivables/payables are in scope of IFRS 17 as they are attributable to insurance contracts, these balances have been excluded from the table below as they are not in scope of IFRS 9.

	IAS 39		IFRS 9	
	Measurement category	**Carrying Amount ($m)**	**Measurement category**	**Carrying Amount ($m)**
Financial assets				
Government gilts/Bonds	FVPL	907.4	FVPL (mandatory)	907.4
Corporate bonds	FVPL	3,600.8	FVPL (mandatory)	3,600.8
Asset backed securities	FVPL	116.6	FVPL (mandatory)	116.6
Mortgage backed securities	FVPL	360.1	FVPL (mandatory)	360.1
Other fixed income holdings	FVPL	434.3	FVPL (mandatory)	434.3
Hedge/Equity funds	FVPL	417.0	FVPL (mandatory)	417.0
Strategic investments	FVPL	44.2	FVPL (mandatory)	44.2
Insurance linked funds	FVPL	50.9	FVPL (mandatory)	50.9
Deposits with credit institutions (Lloyds deposits)	Loans and receivables (Amortised cost)	108.9	Amortised cost	108.9
Derivatives	FVPL	1.1	FVPL	1.1
Trade and other receivables	Loans and receivables (Amortised cost)	68.5	Amortised cost	67.3
Cash and cash equivalents	Amortised cost	1,300.7	Amortised cost	1,300.7
Total		**7,410.5**		**7,409.3**
Financial liabilities				
Borrowings and accrued interest	Amortised cost	746.5	Amortised cost	746.5
Derivatives	FVPL	0.2	FVPL (mandatory)	0.2
Trade and other payables	Amortised cost	22.4	Amortised cost	22.4
Total		**769.1**		**769.1**

The classification of financial instruments under IFRS 9 has had no impact on the carrying values previously measured under IAS 39. The difference in the carrying amount for Trade and other receivables is due to the expected credit loss (ECL) impairment methodology introduced by IFRS 9.

Impairment allowances

IFRS 9 introduces an ECL approach for measuring impairment allowances. The ECL methodology is an unbiased, probability-weighted estimation that incorporates all available information relevant to the assessment of credit risk, 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.

Hedge accounting

IFRS 9 introduces changes to the qualifying criteria for hedge accounting and expands the financial and non-financial instruments which may be designated as hedged items and hedging instruments in order to align hedge accounting with business strategy. As the Group does not currently employ any hedge accounting, these changes do not impact the consolidated restated summary financial statements of the Group.

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1.2 Summary of significant accounting policies in relation to insurance contracts and financial instruments

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

(a) Classification
Insurance contracts are defined as those containing significant insurance risk. Significant insurance risk criteria is met if, and only if, an insured event could cause an insurer to make significant additional payments 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 issues short-term casualty and property (re)insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The Group also enters into ceded reinsurance contracts with reinsurers under which the Group transfers significant insurance risk to reinsurers and is compensated for claims on contracts issued by the Group.

(b) Separating components
The Group assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a guaranteed minimum amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The guaranteed minimum amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are excluded from insurance service revenue and expenses.

(c) Level of aggregation
Insurance contracts are aggregated into groups for measurement purposes. The level of aggregation for the Group is determined firstly by grouping contracts into portfolios which, with some limited exceptions, are set as the reserving classes of each legal entity. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. No group for level of aggregation purposes may contain contracts issued more than one year apart. The grouping of contracts is not subsequently reconsidered.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held within a calendar year into three groups that comprise of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any. 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. That is if the present value of expected claims, attributable expenses and risk adjustment exceeds the premium.

(d) Recognition and derecognition
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.

Insurance contracts acquired in a business combination within the scope of IFRS 3 *Business Combinations* or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Reinsurance contracts held are recognised as follows:
- a group of reinsurance contracts held that provide proportionate coverage is recognised at the later of:
    - the beginning of the coverage period of the group; and
    - the initial recognition of any underlying insurance contract;

- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held; unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

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1.2 Summary of significant accounting policies in relation to insurance contracts and financial instruments

Insurance and reinsurance contracts (continued)

Only contracts that individually 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. Composition of the groups is not reassessed in subsequent periods.

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified such that the modification results in a change in the measurement model e.g. GMM or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contracts to be included in a different group.

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.

When a group of insurance contracts is derecognised, adjustments to remove related rights and obligations result in the following amounts being charged immediately to consolidated income statement:

- if the contract is extinguished, any net difference between the derecognised part of the liability for remaining coverage (LRC) of the original contract and any other cash flows arising from extinguishment;
- if the contract is transferred to the 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

(e) Contract boundary
The Group uses the concept of contract boundary to determine what 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
  - 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.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

(f) Measurement – Premium Allocation Approach

Initial measurement
The Group applies the premium allocation approach (PAA) to a majority of the insurance contracts that it issues and reinsurance contracts that it holds, because:
- The coverage period of each contract in the group is one year or less; or
- For contracts longer than one year, the Group has modelled 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 general model.

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1.2 Summary of significant accounting policies in relation to insurance contracts and financial instruments

Insurance and reinsurance contracts (continued)
(f) Measurement – Premium Allocation Approach (continued)

For insurance contracts issued, on initial recognition, the Group measures the LRC as the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group. For reinsurance contracts held, broker fees are recognised over the coverage period of contracts in a group.

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

- increased for premiums received in the period;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
- increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses; and
- decreased for any investment component paid or transferred to the liability for incurred claims.

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 broker fees paid in the period;
- decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period; and
- decreased for any investment component paid or transferred to the reinsurance assets for incurred claims

The Group does not adjust the LRC for insurance contracts issued or the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within one year of the coverage period. The Group only adjusts the reinsurance contract held for the time value of money in relation to the legacy portfolio transfers that were held as the insurance premiums are not due within one year of the coverage period.

The Group estimates the Liability for Incurred Claims (LIC) as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity, and include an explicit adjustment for non-financial risk (the risk adjustment). In addition, the Group adjusts the AIC for the effect of the risk of reinsurer's non-performance.

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 reinsurance asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of expected recoveries that will be in the income statement and a loss-recovery component is 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. When underlying insurance contracts that are reinsured are included in the same group as insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

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1.2 Summary of significant accounting policies in relation to insurance contracts and financial instruments

Insurance and reinsurance contracts (continued)

(g) Insurance revenue
The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, for example a group of contracts that is exposed to large natural catastrophe risk concentrated in the first or second half of the year, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

Changes to the basis of allocation are accounted for prospectively as a change in accounting estimate.

(h) Insurance service expenses
Insurance service expenses include the following:
- incurred claims, excluding investment components reduced by loss component allocations;
- other incurred directly attributable expenses;
- insurance acquisition cash flows amortisation using the pattern that is consistent with the insurance revenue;
- changes that relate to past service;
- changes that relate to future service;
- insurance acquisition cash flows assets impairment; and
- mandatory reinstatement premiums.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated Income statement.

(i) Allocation of reinsurance premiums
The allocation of reinsurance premiums includes reinsurance premiums and other incurred directly attributable expenses. Reinsurance premium and expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services. Additionally, broker fees and ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance premiums.

In addition, the allocation of reinsurance premiums also includes changes in the reinsurance assets arising from retroactive reinsurance contracts held and voluntary reinstatement ceded premiums.

(j) Amounts recoverable from reinsurers for incurred claims
The amounts recoverable from reinsurers for incurred claims include:
- incurred claims recoveries, excluding investment components;
- loss-recovery component allocations;
- changes that relate to past service;
- effect of changes in the risk of reinsurers' non-performance;
- amounts relating to accounting for onerous groups of underlying insurance contracts issued;
- ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery; and
- mandatory reinstatement ceded premiums.

(k) Insurance finance income or expenses
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. This mainly comprises of interest accreted on the LIC and interest unwind on the AIC; and
- the effect of financial risk and changes in financial risk. This mainly includes the effect of changes in interest rates i.e., discount rates.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses. The change in the risk adjustment is entirely presented as part of the insurance service result. Foreign exchange gains and losses continue to be presented as Net other foreign exchange gain/(loss) line item.

Financial assets and liabilities

The Group classifies its financial assets in the following measurement categories, which depends on the business model for managing the financial assets and the contractual terms of the cash flows:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit or loss (FVPL) are measured at amortised cost. Interest income from these financial assets is included in interest income. Such assets held

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1.2 Summary of significant accounting policies in relation to insurance contracts and financial instruments

Financial assets and liabilities (continued)

by the Group include cash and cash equivalents, receivables from contract holders/brokers, prepayments and accrued income, profit commission, receivable and accrued interest, Share of Syndicate debtors and other debtors.

- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, and where the cash flows represent SPPI, and that are not designated as FVPL are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss on the instrument's amortised cost previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in interest income. The Group does not hold any assets at FVOCI as the business model criteria are not met.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Assets can also be designated to FVPL if in doing so it eliminates, or significantly reduces, an accounting mismatch. The gains or losses arising from fair value changes on assets measured at FVPL is recognised in profit or loss and presented within 'investment result' in the period in which it arises. The Group's investment assets in this category include government bonds, corporate bonds, asset and mortgage-backed securities, other fixed income holdings, equities, investment funds, insurance linked funds and derivatives. All these assets are at FVPL because of the business model test.

(a) Recognition
The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(b) Impairment allowances
IFRS 9 outlines an expected credit loss (ECL) model for all assets measured at amortised cost and FVOCI.
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 Income Statement 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 over the expected lifetime 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.

(c) Derecognition
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets have expired; or they have been transferred and the Group transfers substantially all the risks and rewards of ownership; or they have been transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control. Any gain or loss arising from derecognition is recognised directly in profit or loss. A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

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1.2 Summary of significant accounting policies in relation to insurance contracts and financial instruments
Financial assets and liabilities (continued)

(d) Investment income
The total fair gain/loss from financial assets carried at fair value through profit or loss (FVPL) is recognised in profit and loss and disclosed in the notes by investment income comprising interest received, realised gains/losses and unrealised gains/losses.

(e) Financial Liabilities

At initial recognition, the Group classifies a financial liability at fair value and subsequently at amortised cost, using the effective interest method. Financial liabilities mainly include payables to brokerage customers, short term borrowings, long term borrowings and bonds payable.

When all or part of the current obligations of a financial liability have been discharged, the Group derecognises the portion of the financial liability or obligation that has been discharged. The difference between the carrying amount of the derecognised liability and the consideration is recognised in profit or loss.
Derivative financial liabilities are measured at fair value through profit or loss. All the related realised and unrealised gains/(losses) and transaction costs are recognised in profit or loss.

(f) 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 balance sheet 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. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. For derivatives not formally designated as a hedging instrument, fair value changes are recognised immediately in the income statement. Changes in the value of derivatives and other financial instruments formally designated as hedges of net investments in foreign operations are recognised in the currency translation reserve to the extent they are effective; gains or losses relating to the ineffective portion of the hedging instruments are recognised immediately in the consolidated income statement.

The Group had no derivative instruments designated for hedge accounting during the current and prior financial year.

1.3.1 Significant judgements

Insurance and reinsurance contracts
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. However, when measuring liabilities for incurred claims, the Group applies discounting and includes an explicit risk adjustment for non-financial risk.

(a) Liability for remaining coverage
Onerous groups
For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. See below for further details on risk adjustment.

(b) Liability for incurred claims
The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The Group relies on actuarial analysis to estimate the settlement cost of future claims. Via a formal governed process, there is close communication between the actuaries and other key stakeholders, such as the underwriters, claims and finance teams when setting and validating the assumptions. The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(c) Risk adjustment for non-financial risk
The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

HISCOX

1.2 Summary of significant accounting policies in relation to insurance contracts and financial instruments
1.3.1 Significant judgements (continued)

Insurance and reinsurance contracts (continued)

To determine the risk adjustment for non-financial risk for reinsurance contracts, the Group applies a combination of a Value at Risk (or a percentile) approach and a scenario-based approach both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Most business is measured under the PAA model and therefore the Group does not calculate a risk adjustment in relation to LRC excluding loss component.

For the incurred claim liabilities measurement purposes, the Group calculates the risk adjustment at each insurance undertaking entity in accordance with its risk profile using a combination of Value at Risk (VaR) method and scenario analysis targeting an overall confidence level for the aggregate risk distribution. Group diversification benefit is not considered at the individual insurance undertaking entity level but is considered in determining the confidence level at a consolidated level for disclosure purposes. At 31 December 2022, the risk adjustment in respect of the LIC net of reinsurance is 78th percentile.

(d) Premium Allocation Approach (PAA) eligibility assessment
A simplified measurement model, the PAA, can be applied if certain eligibility criteria are met. The majority of the Group's policies have a coverage period of 12 months or less and so are eligible for the PAA. Management applies significant judgements in assessing whether applying the PAA to groups of contracts with a coverage period extending beyond 12 months.

1.3.2 Significant estimates and assumptions
The preparation of consolidated restated summary financial statements requires the use of accounting estimates which could differ to the actual results. This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the consolidated restated summary financial statements.

Insurance and reinsurance contracts
In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios. For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17 please refer to note 2 risk management.

(a) Discount rates
Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates were derived using swap rates available in the market denominated in the same currency as the insurance contracts being measured. When swap rates are not available, highly liquid sovereign bonds with the highest e.g., AAA/AA credit rating were used.

Management uses judgement to assess liquidity characteristics of the liability cash flows. The illiquidity premium was estimated based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows. The illiquidity premium is determined by reference to market observable AA-rated bonds yield curve in the currency of the insurance contract being measured adjusted to remove both expected and unexpected credit risk.

	1 year	3 year	5 year
USD	4.90%	4.24%	4.00%
GBP	4.59%	4.64%	4.55%
EUR	3.12%	3.28%	3.31%
CAD	4.66%	4.03%	3.74%

(b) Estimates of future cash flows to fulfil insurance contracts
Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

HISCOX

1.2 Summary of significant accounting policies in relation to insurance contracts and financial instruments

1.3.2 Estimates and assumptions (continued)

Insurance and reinsurance contracts (continued)

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature.

Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. This includes an allocation of acquisition cash flows among existing groups of insurance contracts issued. Claims settlement-related expenses are largely allocated based on claims costs.

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Policies which have a coverage period of 12 months or less and so are eligible for the PAA. Management applies significant judgements in assessing whether applying the PAA to groups of contracts with a coverage period extending beyond 12 months would produce a measurement of the liability for remaining coverage (LRC) that would not differ materially from the one that would be produced applying GMM.

Management has concluded that a majority of the Group's insurance contracts issued and reinsurance contracts held meet the criteria and the PAA is applied to measure them.

2. Management of risk

Insurance risk
The insurance risks are consistent with those disclosed within the Report and Accounts 2022 on pages 181 to 184. The Group continues to assess, review and monitor its underwriting and reserve risk.

Financial risk
The Group continues to monitor all aspects of its financial risk appetite and the resultant exposure is taken with caution.

Interest rate risk
The interest rate risks are broadly consistent with those disclosed within the Report and Accounts 2022 on page 185, now including insurance contract liabilities and reinsurance contract held assets which are subject to discounting.

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. When market interest rates decrease, the fair value of the Group's debt and fixed income investments would tend to increase and vice versa if credit spreads remained constant. The fair value of debt and fixed income investments on the Group's balance sheet at 31 December 2022 was $5,426.6 million (30 June 2022: $5,246.4 million).

Please refer to note 1.3.2(a) for further details regarding the discount rate used.

One method of assessing interest rate sensitivity is through the examination of duration-convexity factors in the underlying portfolio. Duration is the weighted average length of time required for an instrument's cash flow stream to be recovered, where the weightings involved are based on the discounted present values of each cash flow. A closely related concept, modified duration, measures the sensitivity of the instrument's price to a change in its yield to maturity. Convexity measures the sensitivity of modified duration to changes in the yield to maturity.

The Group has used a duration-convexity-based sensitivity analysis for the debt and fixed income securities, and we have recalculated the discounting impact for the reinsurance contract assets and insurance contract liabilities, to estimate that a movement in interest rates may affect the profit before tax for the year as follows:

	1% increase/decrease in interest rates impact on
	31 December 2022 Profit or loss $m
Reinsurance contract held assets	(47)/47
Insurance contract liabilities	102/(102)
Debt and fixed income securities	(84)/84

2. Management of risk (continued)

Currency risk

The currency risk is consistent with what is disclosed in the Report and Accounts 2022 on pages 188 to 190, except for unearned premiums and deferred acquisition costs are now remeasured at the balance sheet date. The Group remains susceptible to fluctuations in rates of foreign exchange, in particular between US Dollars and Sterling.

Capital risk management

Our capital risk management approach is consistent with the disclosures described within the Report and Accounts 2022 on pages 190 to 192. Prudent capital management is critical to ensure the Group is able to continue to serve its customers, pay valid claims and grow where opportunity permits. As a result, at 31 December 2022, the Group remains strongly capitalised against both our regulatory and rating agency requirements. The Group's available capital on an IFRS 17 basis was $2,645.4 million (30 June 2022: $2,495.6 million), comprising net tangible asset value of $2,314.6 million (30 June 2022: $2,161.7 million) and subordinated debt of $330.8 million (30 June 2022: $333.9 million).

3. Operating segments

The Group's operating segment reporting follows the organisational structure and management's internal reporting systems, which form the basis for assessing the financial reporting performance of, and allocation of resources to, each business segment.

The Group's four primary business segments are identified as follows:

Hiscox Retail brings together the results of the Group's retail business divisions in the UK, Europe, USA and Asia. Hiscox UK and Hiscox Europe underwrite personal and commercial lines of business through Hiscox Insurance Company Limited and Hiscox Société Anonyme (Hiscox SA), together with the fine art and non-US household insurance business written through Syndicate 33. Hiscox USA comprises commercial, property and specialty business written by Hiscox Insurance Company Inc. and Syndicate 3624.

Hiscox London Market comprises the internationally traded insurance business written by the Group's London-based underwriters via Syndicate 33, including lines in property, marine and energy, casualty and other specialty insurance lines.

Hiscox Re & ILS is the reinsurance division of the Hiscox Group, combining the underwriting platforms in Bermuda and London. The segment comprises the performance of Hiscox Insurance Company (Bermuda) Limited, excluding the internal quota share arrangements, with the reinsurance contracts written by Syndicate 33. In addition, the healthcare and casualty reinsurance contracts written in the Bermuda on Syndicate capacity are also included. The segment also includes the performance and fee income from the Insurance Linked Securities (ILS) funds, along with the gains and losses made as a result of the Group's investment in the funds.

Corporate Centre comprises finance costs and administrative costs associated with Group management activities and intragroup borrowings, as well as all foreign exchange gains and losses.

All amounts reported on the following pages represent transactions with external parties only. In the normal course of trade, the Group's entities enter into various reinsurance arrangements with one another. The related results of these transactions are eliminated on consolidation and are not included within the results of the segments. This is consistent with the information used by the chief operating decision-maker when evaluating the results of the Group. Performance is measured based on each reportable segment's profit or loss before tax and combined ratio.

HISCOX

3. Operating segments (continued)

Profit before tax by segment
Year ended 31 December 2022 (restated)

	Hiscox Retail	Hiscox London Market	Hiscox Re & ILS	Corporate Centre	Total
	$m	$m	$m	$m	$m
Insurance revenue	2,218.0	1,130.6	924.7	-	4,273.3
Insurance service expenses	(2,002.2)	(881.9)	(601.8)	-	(3,485.9)
Incurred claims and changes to liabilities for incurred claims	(958.0)	(506.4)	(436.7)	-	(1,901.1)
Acquisition costs	(618.4)	(276.6)	(110.5)	-	(1,005.5)
Other attributable expenses	(422.5)	(98.7)	(54.3)	-	(575.5)
Losses on onerous contracts and reversals	(3.3)	(0.2)	(0.3)	-	(3.8)
Insurance service result before reinsurance contracts held	215.8	248.7	322.9	-	787.4
Allocation of reinsurance premiums	(293.3)	(356.3)	(615.2)	-	(1,264.8)
Amount recoverable from reinsurers for incurred claims	260.0	230.9	347.4	-	838.3
Net income/(expense) from reinsurance contracts held	(33.3)	(125.4)	(267.8)	-	(426.5)
Insurance service result	182.5	123.3	55.1	-	360.9
Investment result	(98.9)	(54.4)	(34.0)	-	(187.3)
Net finance income from insurance contracts	107.0	56.0	50.7	-	213.7
Net finance expenses from reinsurance contracts	(38.5)	(27.5)	(36.1)	-	(102.1)
Net insurance finance income	68.5	28.5	14.6	-	111.6
Net insurance and investment result	152.1	97.4	35.7	-	285.2
Other income	11.7	7.4	20.8	2.4	42.3
Other operational expenses	(32.1)	(3.8)	(8.4)	(23.5)	(67.8)
Net foreign exchange gains	-	-	-	54.7	54.7
Other finance costs	(1.5)	-	(1.2)	(37.0)	(39.7)
Share of profit of associates after tax	-	-	-	0.9	0.9
Profit/(loss) before tax	130.2	101.0	46.9	(2.5)	275.6
Ratio analysis					
Claims ratio (%)	40.0	37.3	38.1	-	39.1
Expense ratio (%)	51.0	47.2	46.4	-	49.6
Combined ratio (%)	91.0	84.5	84.5	-	88.7

The claims ratio is calculated as incurred claims and losses on onerous contracts net of reinsurance recoveries, as a proportion of insurance revenue net of allocation of reinsurance premiums. The expense ratio is calculated as acquisition costs and other attributable expenses, as a proportion of insurance revenue net of allocation of reinsurance premiums. The combined ratio is the total of the claims and expenses ratios. All ratios are on an own share basis, reflects the Group's share in Syndicate 33, and include a reclassification of LPT premium from allocation of reinsurance premium into amounts recoverable from reinsurers as detailed below.

Costs allocated to Corporate Centre along with other non-attributable expenses are non-underwriting-related costs and are not included within the combined ratio.

HISCOX

3. Operating segments (continued)

As noted above, the claims ratio, expense ratio and combined ratio include a reclassification of LPT premium into amounts recoverable from reinsurers for incurred claims. The subsequent impacts of LPTs within reinsurance expenses and reinsurance income are analysed on a net basis within the net claims to provide a view of the underlying development on these contracts, against the corresponding development of the gross reserves, consistent with the focus on net performance when assessing underwriting performance. The impact on profit is neutral, however this reclassification for the ratios removes any volatility on a year-on-year comparison. This reclassification reallocates the LPT premium from the allocation of reinsurance premiums and back into amounts recoverable from reinsurers for incurred claims.

The impact of the reclassification of LPT premium is shown in the following table.

				Year ended 31 December 2022
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Total $m
Allocation of reinsurance premiums	(293.3)	(356.3)	(615.2)	(1,264.8)
LPT premium impact	114.0	20.8	46.0	180.8
Allocation of reinsurance premiums after reclassifying LPT premium	**(179.3)**	**(335.5)**	**(569.2)**	**(1,084.0)**
Amounts recoverable from reinsurers for incurred claims	260.0	230.9	347.4	838.3
LPT premium impact	(114.0)	(20.8)	(46.0)	(180.8)
Amounts recoverable from reinsurers for incurred claims after reclassifying LPT premium	**146.0**	**210.1**	**301.4**	**657.5**

The impact on profit before tax of a 1% change in each component of the segmental combined ratios is shown in the following table. Any further ratio change is linear in nature.

			Year ended December 2022
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m
At Group level			
1% change in claims or expense ratio	20.4	8.0	3.6

HISCOX

3. Operating segments (continued)

Six months ended 30 June 2022 (restated)

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Insurance revenue	1,106.1	504.0	270.4	-	1,880.5
Insurance service expenses	(1,021.9)	(426.9)	(20.1)	-	(1,468.9)
Incurred claims and changes to liabilities for incurred claims	(516.7)	(252.3)	42.6	-	(726.4)
Acquisition costs	(304.0)	(129.5)	(33.2)	-	(466.7)
Other attributable expenses	(199.6)	(45.1)	(29.1)	-	(273.8)
Losses on onerous contracts and reversals	(1.6)	-	(0.4)	-	(2.0)
Insurance service result before reinsurance contracts held	84.2	77.1	250.3	-	411.6
Allocation of reinsurance premiums	(128.8)	(125.5)	(168.7)	-	(423.0)
Amount recoverable from reinsurers for incurred claims	120.3	102.0	(70.7)	-	151.6
Net income/(expense) from reinsurance contracts held	(8.5)	(23.5)	(239.4)	-	(271.4)
Insurance service result	75.7	53.6	10.9	-	140.2
Investment result	(113.3)	(62.0)	(38.8)	-	(214.1)
Net finance income from insurance contracts	83.4	44.4	37.4	-	165.2
Net finance expenses from reinsurance contracts	(31.1)	(19.3)	(27.0)	-	(77.4)
Net insurance finance income	52.3	25.1	10.4	-	87.8
Net insurance and investment result	14.7	16.7	(17.5)	-	13.9
Other income	5.1	3.9	8.7	1.0	18.7
Other operational expenses	(14.5)	(2.7)	(2.9)	(14.4)	(34.5)
Net foreign exchange gains	-	-	-	45.7	45.7
Other finance costs	(1.0)	(0.1)	(0.5)	(16.8)	(18.4)
Share of profit of associates	-	-	-	-	-
Profit/(loss) before tax	4.3	17.8	(12.2)	15.5	25.4
Ratio analysis					
Claims ratio (%)	43.3	38.9	44.0	-	42.2
Expense ratio (%)	49.3	46.7	47.7	-	48.6
Combined ratio (%)	92.6	85.6	91.7	-	90.8

HISCOX

3. Operating segments (continued)

The impact of the reclassification of LPT premium is shown in the following table.

	Six months ended 30 June 2022			
	Hiscox Retail	Hiscox London Market	Hiscox Re & ILS	Total
	$m	$m	$m	$m
Allocation of reinsurance premium	(128.8)	(125.5)	(168.7)	(423.0)
LPT premium impact	43.8	(5.2)	28.9	67.5
Allocation of reinsurance premium after reclassifying LPT premium	**(85.0)**	**(130.7)**	**(139.8)**	**(355.5)**
Amounts recoverable from reinsurers for incurred claims	120.3	102.0	(70.7)	151.6
LPT premium impact	(43.8)	5.2	(28.9)	(67.5)
Amounts recoverable from reinsurers for incurred claims after reclassifying LPT premium	**76.5**	**107.2**	**(99.6)**	**84.1**

The impact on profit before tax of a 1% change in each component of the segmental combined ratios is shown in the following table. Any further ratio change is linear in nature.

	Six months ended June 2022		
	Hiscox Retail	Hiscox London Market	Hiscox Re & ILS
	$m	$m	$m
At Group level			
1% change in claims or expense ratio	10.2	3.7	1.3

4. Net asset value (NAV) per share and net tangible asset value per share

	31 December 2022 (restated)		30 June 2022 (restated)	
	Net asset value (total equity)	**NAV per share cents**	Net asset value (total equity)	NAV per share cents
	$m		$m	
Net asset value	**2,635.0**	**764.5**	2,464.5	715.6
Net tangible asset value	**2,314.6**	**671.5**	2,161.7	627.6

The NAV per share is based on 344,672,172 shares (30 June 2022: 344,417,619), being the shares in issue at 31 December 2022, less those held in treasury and those held by the Group Employee Benefit Trust. Net tangible assets comprise total equity excluding intangible assets. The NAV per share expressed in pence is 635.5 pence for 31 December 2022 and 589.3 pence for 30 June 2022. Amounts have been restated for the adoption of IFRS 17 and IFRS 9, see note 1.1. Previously reported NAV per share was 701.2 cents (582.9 pence) for 31 December 2022 and 679.5 cents (559.6 pence) for 30 June 2022.

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5. Return on equity (ROE)

	Year to 31 Dec 2022 (restated) $m	Six months to 30 June 2022 (restated) $m
Profit for the period	**253.9**	33.6
Opening total equity	**2,563.2**	2,563.2
Adjusted for the time-weighted impact of capital distributions and issuance of shares	**(54.9)**	(3.7)
Adjusted opening total equity	**2,508.3**	2,559.5
Annualised return on equity (%)	**10.1%**	2.6%

The ROE is calculated by using profit for the period divided by the adjusted opening total equity. The adjusted opening total equity represents the equity on 1 January of the relevant year as adjusted for time-weighted aspects of capital distributions and issuing of shares or treasury share purchases during the period. The time-weighted positions are calculated on a daily basis with reference to the proportion of time from the transaction to the end of the period. Amounts have been restated for the adoption of IFRS 17 and IFRS 9, see note 1.1. Previously reported annualised ROE was 1.7% for the year to 31 December 2022 and (6.8)% for the six months to 30 June 2022.

6. Insurance finance income and expenses and Investment result

	Year to 31 Dec 2022 (restated) $m	Six months to 30 June 2022 (restated) $m
Total investment result	**(187.3)**	(214.1)
Net finance income / (expenses) from insurance contracts		
Interest accreted	**(35.7)**	(7.4)
Effects of changes in interest rates and other financial assumptions	**249.4**	172.6
Total net finance income from insurance contracts	**213.7**	165.2
Net finance income / (expenses) from reinsurance contracts		
Interest accreted	**9.5**	0.6
Effects of changes in interest rates and other financial assumptions	**(111.6)**	(78.0)
Total net finance expenses from reinsurance contracts	**(102.1)**	(77.4)
Net insurance finance income	**111.6**	87.8

The interest accreted under net finance income / (expenses) from reinsurance contracts includes an expense of $8.4 million for interest on funds withheld for the year to 31 December 2022 (30 June 2022 : $3.3 million), which has been reclassified from finance costs.

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7. Other income and operational expenses

	Year to 31 Dec 2022 (restated) $m	Six months to 30 June 2022 (restated) $m
Agency-related and other underwriting income	**17.3**	8.8
Profit commission	**3.7**	1.8
Other income	**21.3**	8.1
Total other income	**42.3**	18.7
Operational expenses	**643.3**	308.3

The operational expenses are allocated between other Attributable expenses of $575.5 million and Other operational expenses of $67.8 million at 31 December 2022 and between other Attributable expenses of $273.8 million and Other operational expenses of $34.5 million at 30 June 2022

The total operational expenses have been adjusted by $1.0 million for the year ended 31 December 2022 in relation to a reclassification from acquisition costs plus an impact from the IFRS 9 credit loss impairment ($0.7m for the six months to 30 June 2022).

8. Finance costs

	Year to 31 Dec 2022 (restated) $m	Six months to 30 June 2022 (restated) $m
Interest charge associated with borrowings	**32.2**	14.5
Interest and expenses associated with bank borrowing facilities	**2.5**	0.8
Interest and charges associated with Letters of Credit	**4.0**	2.0
Other interest expenses	**1.0**	1.1
Finance costs	**39.7**	18.4

The other interest expenses have been adjusted as a result of reclassification of the interest on funds withheld which is reclassified to Insurance finance income / (expenses). For the year to 31 December 2022 this was $8.4 million, and for the six months to 30 June 2022 was $3.3 million.

9. Taxation

The tax position is restated under IFRS 17 as the adjustments to profits create a net deferred tax asset reduction of $19.4 million for the end of 2022, mainly due to the impact of discounting effect which is a temporary difference. Of this, $18.7 million feeds through the restated 2022 tax charge of $21.7 million. There is no material change to our expected effective tax rate going forwards.

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10. Earnings per share

Basic
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held by the Group and held in treasury as own shares.

	Year to 31 Dec 2022 (restated)	Six months to 30 June 2022 (restated)
Profit for the period attributable to owners of the Company ($m)	**253.9**	33.6
Weighted average number of ordinary shares in issue (thousands)	**344,130**	343,712
Basic earnings per share (cents per share)	**73.8 ¢**	9.8 ¢
Basic earnings per share (pence per share)	**59.5 p**	7.5 p

Previously reported basic earnings per share was 12.1 cents per share (9.8 pence per share) for the year to 31 December 2022 and (25.3) cents per share ((19.4) pence per share) for the six months to 30 June 2022.

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Alternative performance measures

The Group uses, throughout its financial publications, alternative performance measures (APMs) in addition to the figures that are prepared in accordance with UK-adopted international accounting standards. The Group believes that these measures provide useful information to enhance the understanding of its financial performance. These APMs are: insurance contract written premium, net insurance contract written premium, combined, claims and expense ratios, return on equity, net asset value per share, net tangible asset value per share, and prior-year developments. These are common measures used across the industry, and allow the reader of the report to compare across peer companies. The APMs should be viewed as complementary to, rather than a substitute for, the figures prepared in accordance with accounting standards.

Insurance contract written premium and net insurance contract written premium
Insurance contract written premium (ICWP) is the Group's top-line key performance indicator, comprising premiums on business incepting in the financial year, together with adjustments to estimates of premiums written in prior accounting periods. This growth metric is similar to Gross Written Premium under IFRS 4, and adjusted for certain items to ensure consistency with insurance revenue under IFRS 17. The adjustments primarily relate to reinstatement premium and non-claim dependent commissions.

The definition of net insurance contract written premium (NICWP) has been adjusted for certain items to ensure consistency with insurance revenue under IFRS 17. The adjustments primarily relate to reinstatement premium and non-claim dependent commissions, along with reinsurance commissions offset.

Combined, claims and expense ratios
The combined, claims and expense ratios measure the relevant underwriting profitability of the business by reference to its costs as a proportion of the insurance revenue net of allocation of reinsurance premiums. The calculation is discussed further in note 3, operating segments. The combined ratio is calculated as the sum of the claims ratio and the expense ratio.

Return on Equity (ROE)
Use of return on equity is common within the financial services industry, and the Group uses ROE as one of its key performance metrics. While the measure enables the Group to compare itself against other peer companies in the immediate industry, it is also a key measure internally where it is used to compare the profitability of business segments, and underpins the performance-related pay and pre-2018 share-based payment structures. The ROE is shown in note 5, along with an explanation of the calculation.

Net asset value (NAV) per share and net tangible asset value per share
The Group uses NAV per share as one of its key performance metrics, including using the movement of NAV per share in the calculation of the options vesting of awards granted under performance share plans (PSP) from 2018 onwards. This is a widely used key measure for management and also for users of the financial statements to provide comparability across peers in the market. Net tangible asset value comprises total equity excluding intangible assets. NAV per share and net tangible asset value per share are shown in note 4, along with an explanation of the calculation.