CONVEX INSURANCE UK LIMITED

Registered Number 11796392

Annual Report

For the year ended 31 December 2024

Contents

Company Information

EXECUTIVE DIRECTORS
Theodore Butt
Matthew Wilson

NON-EXECUTIVE DIRECTORS
Dr Claus-Michael Dill
Fiona Luck
Kelly Lyles
William Marcoux
Benjamin Meuli (appointed 1 July 2024)
Anna Tucker
Nicholas Lyons (resigned 10 January 2025)

COMPANY SECRETARY
Robina Malik

REGISTERED OFFICE
52 Lime Street, London
United Kingdom
EC3M 7AF

INDEPENDENT EXTERNAL AUDITORS
PricewaterhouseCoopers LLP
7 More London Riverside, London
United Kingdom
SE1 2RT

PRINCIPAL BANKERS
J.P. Morgan
25 Bank Street, London
United Kingdom
E14 5JP

Business Model

Convex Insurance UK Limited ("the Company") is authorised and licensed by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The Company is included on the National Association of Insurance Commissioners ("NAIC") Quarterly Listing of Alien Insurers, ensuring that it can write United States business through surplus lines eligibilities, and is approved by the NAIC and the California Department of Insurance to operate as a reciprocal jurisdiction reinsurer. The Company's ultimate parent is Convex Group Limited ("CGL") and it forms part of the group made up of CGL and its controlled entities ("the Convex Group").

The Company has two wholly owned subsidiaries: Convex Europe S.A. ("CES"), a non-life insurance company incorporated in Luxembourg with a UK branch approved by the FCA and PRA; and Convex North America Insurance Services LLC ("CUS") a managing general agent operating in the United States. The Company is exempt from preparing consolidated financial statements, as the results of its operations are included at the Convex Group consolidated level, so this Annual Report is that of the Company on a standalone basis only.

The Company continues to develop as a forward-looking insurer, establishing itself as a scale player in the global specialty Property and Casualty ("P&C") market. This involves leveraging the expertise and experience from senior management and using purpose-built technology, outsourcing, and data analysis as a differentiator to provide exceptional service, innovative solutions and bespoke product offerings. The Company's strategy is focused on targeting specific clients within its areas of expertise to underwrite large, complex insurance and reinsurance risks.

Strategy and Objectives

Financial and non-financial KPIs measure the Company against the Convex Group's strategy which is anchored around the following three strategic pillars:

1. Attracting the finest talent and creating a values driven culture to become our client's favourite insurer.
At Convex, our employees are one of our greatest assets, and ensuring they are positive, engaged and well-informed remains key to our success. Building a team of talented people is fundamental to delivering the Convex Group's objectives. Our culture is one of our unique selling points, and we aim to create an environment where employees feel their talent is recognised, whilst they can positively contribute, and continue to develop as professionals.

2. Deliver operational excellence, through strong execution and high quality outcomes with a market-leading low expense ratio.
The Convex Group's vision is to deliver excellent business and client outcomes which delight our customers whilst strengthening the Convex brand, at a lower cost than our competitors. We are focused on building an operating architecture/framework that is scalable, flexible and nimble.

3. Use data and technology to make better decisions.
At Convex, a data-driven culture is fundamental to our strategy. The Company aspires to make informed underwriting decisions using data and analytics, which will give us a competitive advantage over peers and competitors.

Environment, Social, and Governance Strategy
The Company is continuing to develop its Environmental, Social, and Governance ("ESG") framework and initiatives, including an assessment of the impact of climate change. Our Sustainability strategy and progress in meeting our goals can be found in the Convex Group Sustainability Report at https://convexin.com/about-us/sustainability/.

Convex Group believes strongly in the importance of behaving in a responsible manner to promote environmental and social sustainability both within, and beyond, our organisation. In this ever-changing world, our approach to sustainability is continuing to develop as we reflect and assess current and emerging ESG issues.

More specifically, the Convex Group's approach to mitigating and managing risks from climate change is fully documented in our Climatewise Report which is also published on our website at https://convexin.com/about-us/sustainability/.

Business Review

Financial KPIs

The Directors review certain financial key performance indicators ("KPIs") in order to assess the performance of the Company and make strategic decisions to achieve the Company's objectives.

Key performance indicators	Description	2024 $m	2023 $m
Gross premiums written	Written premiums, gross amount	$3,606.0	$2,960.6
Net premiums written	Written premiums, net of reinsurance	$1,426.3	$1,156.5
Net premiums earned	Earned premiums, net of reinsurance	$1,232.9	$921.4
Underwriting result	Balance on technical account (before investment income)	$97.1	$71.8
Net loss ratio	Ratio of claims incurred, net of reinsurance to earned premiums, net of reinsurance	46.1%	44.1%
Expense ratio	Ratio of net operating expenses to earned premiums, net of reinsurance	46.1%	48.1%
Net combined ratio	Sum of net loss ratio and expense ratio	92.1%	92.2%
Investment return	Net investment income/(loss) after unrealised gains/losses and investment expenses and charges	$138.9	$114.5
Capital and reserves	Total capital including accumulated profit	$1,976.0	$1,799.4
Own funds	Total capital and reserves as calculated under Solvency II rules	$2,100.7	$1,912.3
SCR	Solvency Capital Requirement	$1,394.3	$1,238.2
Solvency ratio	Ratio of SCR to Own Funds	151%	154%

Some of the KPIs that the Company uses to measure performance are taken from are not based on UK accounting standards requirements. Specifically, the Company is regulated under the UK Prudential Regulation Authority ("PRA") Solvency II regime ("Solvency II") and therefore metrics under these regulations, such as *Own Funds* and the *Solvency Capital Requirement* ("SCR"), are monitored. Own Funds represent the available capital resources determined under the Solvency II regime, and consist of the Company's ordinary share capital and profit on the Solvency II balance sheet. The SCR is the amount of Own Funds that the Company is required to hold under Solvency II requirements. The SCR is calculated using the Standard Formula, which is a prescribed approach to calculating the SCR under Solvency II and is calibrated by the PRA to ensure that all quantifiable risks are taken into account.

Results and performance

In 2024 the Company focused on continued business growth, which has resulted in an increase in gross premiums written to $3,606.0 million (2023: $2,960.6 million), and maintained its prudent approach to risk retention which led to significant use of reinsurance protection, resulting in net premiums written of $1,426.3 million (2023: $1,156.5 million).

Underwriting results continued to grow in 2024, and the Company reported net underwriting profit for a second consecutive year. In addition to expected attritional losses, the Company was exposed to a number of events from both man made and natural perils, including the Baltimore Bridge collapse, Hurricane Milton, and Hurricane Helene. However, the losses from these events were in line with expectations given the Company's market share. The Company also benefited from favourable development on prior year events. The Company continues to assess the propensity for inflationary pressures to impact each class of business, and applies what it believes are appropriate assumptions considering the latest inflationary outlook. The investment result benefited from steady coupon throughout 2024 on the fixed income portfolio despite volatile moves in risk-free yields, and was complemented by returns on risk asset mandates across credit, alternatives and impact related exposures.

Expenses were higher in 2024, due to a combination of the continued growth of the Company and an increased investment in strategic projects, but the increase was lower than the top line growth in premiums and, as a result, the expense ratio decreased from 48.1% to 46.1% over the year.

As a result of these factors, the Company made a net profit of $176.6 million in 2024 (2023: net profit of $169.5 million).

Business Review (continued)

Non-financial KPIs

In addition to financial KPIs the Directors also monitor certain non-financial KPIs across a number of areas of the business, including compliance, risk and employees. At this stage of Convex Group's business development, the Directors monitor non-financial KPIs at the Group level, rather than at the Company level. The Company does not directly employ members of staff but operates through an outsourcing arrangement with a fellow subsidiary of CGL, Convex UK Services Limited ("CSL").

Key Performance Indicator	Description	2024	2023
People and Culture	Employee response rate to annual survey: The Company is focused on creating a culture where employees feel empowered and have a sense of belonging. A strong response rate is indicative of employee empowerment, as well as engagement in providing feedback.	93%	93%
IT	IT tickets closed within two business days: Efficient handling of IT issues improves operational efficiency.	96%	95%
Reinsurance Operations	Percentage of reinsurers rated A- or fully collateralised: Engaging with well-rated reinsurers contributes to delivering high-quality results for the business. Note that reinsurers below A- rating are fully collateralised.	100%	100%

Convex Group makes use of external benchmarking and market ratings surveys to assess our performance and direction of travel against our strategic pillars. Convex has developed ESG related goals, the monitoring of which are included in the Convex Sustainability Report and the Climatewise Report, available on our website at *convexin.com/about-us/sustainability/*.

Outlook

The Company will look to continue to grow its portfolio and remains focused on creating underwriting solutions for an ever-increasingly complex world, with a best in class claims service that delights as we continue on our journey to become our clients' favourite (re)insurer.

Principal Risks and Uncertainties

Overall organisational risks

The Risk Management function oversees the management of all organisational risks and continues to enhance the mechanisms used to identify, quantify and manage accumulated exposures within the limits of the Company's risk appetite. The steering of the overall risk strategy is directed by the Board of Directors and the Risk Committee, which was established in 2023 and provides more granular oversight and monitoring of the Company's risk profile.

Underwriting risk

Underwriting risk includes risks arising from uncertainty around current and future underwriting exposure, and the risk that current reserves are insufficient to cover claims liabilities as they fall due. These specifically include:

- inadequate pricing in the underwriting process;
- fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- unexpected claims arising from a single source;
- inadequate claims reserves; and
- inadequate reinsurance protection.

The Company seeks to manage underwriting risk through:

- regular monitoring of premium and claims by line of business against the business plan;
- enforcing strict adherence to the Company's underwriting guidelines, which are in line with the Board's risk appetite;
- review of the adequacy of Company's general insurance reserve by the Reserving Committee, and approval from the Board of Directors. The Reserving Committee uses externally sourced market benchmark data to monitor and manage the increased uncertainty of the Company's reserves in order to supplement the relatively limited proprietary experience data; and
- an effective and high-quality reinsurance programme.

The Company has used the PRA's 2019 General Insurance Stress Test templates and the Miami Hurricane Deterministic Scenarios to evaluate a series of outcomes to assess the impact of global warming and climate-related events. While the outcomes of this exercise are deterministic at this stage, this tool will evolve, enabling the Company to monitor and manage the impact of climate related risks. The Company will continue its ongoing assessment of the impact of climate change risk through 2025. Please refer to the "Climate Risk" section below for additional information.

Financial risk

Financial risk arises through the Company's financial assets, financial liabilities, insurance/reinsurance assets and policyholder/cedant liabilities. The key financial risk is that proceeds from financial assets are insufficient to fund obligations as they fall due. The most important drivers of financial risk are interest rate risk, currency risk, credit risk, and liquidity risk. Compliance against risk limits is monitored on a continuous basis, with escalation and mitigation processes in place where breaches are identified.

The Company manages its investment portfolio in line with the PRA's "prudent person principle" as set out in supervisory statement SS1/20 by applying the requirements and principles described in the Financial Market Risk Framework and the Investment Guidelines. These requirements and guidelines help ensure that risks in the current portfolio and in new investment proposals can be identified, measured, monitored, managed, and controlled.

Operational risk

Operational risk is defined as the risk of greater than expected losses due to the failure of internal processes, people or systems, or from external events. In addition, as the market transitions to low-carbon economies, this could potentially lead to a decline in asset values, higher cost of doing business, or disrupt the ways of working.

Whilst operational risk is managed in a variety of methods across the Company by function, the main mechanism in place is the Company's evolving programme of controls. These controls are reviewed periodically and assessed within each function for operating effectiveness to ensure that risks identified are being mitigated as expected.

Principal Risks and Uncertainties (continued)

Strategic risk

As the aim of the Company is to remain a scale player in the P&C market, there is a degree of inherent risk in the operating plans set to achieve this goal.

Strategic risk is mitigated in part by the expertise of a wide array of industry veterans within the Company, and on the Board, who continually review the strategy being enacted, whilst being aware of current market developments. In this phase of business growth, it is essential to remain agile and be able to react positively to latest developments. The implementation of strategic plans is managed by Convex Group's Head of Strategy. The Company also has a robust business planning process, which considers the evolution of the business over a multi-year period.

Key risks

The following were the specific key risks monitored over 2024.

Inflation risk

Convex has continued to consider the impacts of inflation on the business including claims, reserving and pricing.

The Company observed increases in claims inflation, most significantly social inflation in US casualty business, but also in other lines. The Incurred but not Reported ("IBNR") reserving methodology included a class of business assessment of the propensity for inflationary pressures, and applied an appropriate change to initial expected loss ratios for the relevant classes. The business plan loss ratios and pricing models have also been adjusted to reflect our expected view of inflation. The achieved rate change is also monitored closely against the Company view of inflation to make sure that prices are keeping pace with inflation.

Climate risk

The effects of climate change and global warming are increasingly apparent, as evidenced by increased heatwaves, erratic rainfall and greater weather extremes.

The risks to insurers associated with such changes are complex and need to be considered alongside other developing risk factors such as inflation and urbanisation, as well as the transition to a net zero pathway. The increasing loss to insurers from weather related events such as Californian wildfires, European floods, or the increased frequency and severity of hurricanes are becoming increasingly evident and means Convex needs to continually enhance its ability to assess this changing risk profile.

Convex's strategic approach to mitigating and managing risks from climate change is a journey. There is ongoing work to expand risk assessment and risk-mitigating initiatives across physical, transition and liability risks to develop better understanding of our material exposures and define our long-term strategic approach to these risks.

Physical risk

An increase in the frequency and severity of specific weather events which occur as a result of climate change, e.g. floods, heatwaves and wildfires; or longer term shifts in the climate such as a rise in the sea level or rising mean temperatures.

Transition risk

The process of adjustment towards a low carbon economy, e.g. the impact on business models from the emergence of disruptive technology, as well as changes in government policy and consumer preferences.

Liability risk

The risk of parties who suffer loss from climate change seeking to recover those losses from those who they believe may have been responsible, which may be insurers or their assured.

The inclusion of climate risks within the risk register allows the risk team, and key stakeholders, to continually assess the risk and controls, and establish mitigating actions where necessary. Climate change risk has been incorporated into the Group Risk Management framework as a dedicated section, and will be further brought into the review of risk policies during their natural review cycle.

Convex has undertaken an assessment of the impact of the risks noted above to our books of business, including development of a framework to measure the degrees of exposure to specific lines of business. This process will help inform and drive management action such as further scenario analysis, deep dives into specific risk areas, and other business planning considerations.

Principal Risks and Uncertainties (continued)

Operational risk, Outsourcing

Operational risk refers to the risk of financial or other loss, or potential damage to the Company's reputation resulting from inadequate or failed internal processes, people and systems, or from external events. During 2024 a transition to new outsourcing providers was completed. This enabled Convex to maintain cost efficiency and gain access to a specialised knowledge and technology that complements the Company's strategic objectives.

A transition programme was established that developed a detailed plan, robust communication approach, knowledge transfer to ensure that the outsourcing providers fully understood the tasks and responsibilities they have taken on, and a formal Governance structure with contingency plans was put in place. As this increased the operational risk of the Company, there was increased focus on managing this risk with close oversight by the Board of Directors.

Section 172(1) Statement

The Directors of the Company must act in accordance with a set of general requirements that are detailed in section 172 (1) (a) to (f) of the UK Companies Act 2006 as follows:

"A director of a company must act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole, and in doing so have regard (amongst other matters) to:

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

The following paragraphs summarise how the Directors fulfil their responsibilities under Section 172 (1)(a) to (f) in alignment with our core values. Key stakeholders of the business are: employees, external parties (reinsurance partners, suppliers, and regulators), customers (clients and brokers), community and charity, and environment.

Employees

The Company does not have any employees as it operates through an outsourcing and recharge arrangement with Convex UK Services Limited, a fellow subsidiary of CGL that employs the staff that support the Convex Group's operations.

The Convex Group's employees are one of our most important assets and ensuring they are happy, engaged and well-informed is key to our success. Creating a values-driven culture and being honest and transparent helps engage employees and results in a greater contribution to the Company's goals and objectives. During 2024 we continued to hold regular all-employee town hall meetings hosted by the Convex Group Executive Chairman and CEO. We also held the fourth annual Convex Festivals in Bermuda and the UK for all Convex employees ("Convexians") and their family members, providing them with an opportunity to relax, have fun and meet the wider Convex family.

We continue to think about our employee value proposition and in January 2024 launched our enhanced secondary parental/ paternity leave, increasing it from 8 weeks to 6 months at full pay, no matter how Convexians become a parent.

Our Dream Pitch initiative, which allows employees to pitch for support in achieving a dream goal - i.e. something they might not otherwise have the time, money or resource to achieve, continued over 2024. The 2020 winner completed her Dream Pitch in August 2024 by producing and performing her show 'Girlhood' at the Edinburgh Fringe Festival.

Our 2024 employee engagement survey achieved a 93% response rate. In their responses, employees continued to highlight how the culture is innovative and progressive, as well as noting the high quality of colleagues with whom they work. Convex were also very proud to be awarded one of the Sunday Times' "Best Places to Work 2024" awards, where we were included in the Top Ten 'Highflyers' in the big organisations category.

Over 2024, as we entered our 5th year as a business, we focused on how we nurture, retain and engage Convexians and where they can learn and grow. As a result, we launched our Talent & Growth strategy, which had at its centre the idea of authentic, quality career conversations. Convex's pipeline of talent also remained critical and we welcomed a range of students via our graduate and school leaver programme, and via our summer internship. We also hosted a number of diversity and inclusion events including co-hosting with LINK, the LGBTQ+ cross insurance group, a great event at the Queer Britain museum in London in April.

Section 172(1) Statement (continued)

Customers and business partners

The Company's ultimate customers are our policyholders, and keeping our promises to our customers is one of our most important priorities. We engage with our customers through business partners who primarily consist of insurance and reinsurance brokers and cover-holders with whom we interact on a daily basis. The Company has continued to maintain and develop its position in the marketplace as demonstrated by the following:

- In the 2024 Gracechurch Report for London's Leading Underwriters, we came first in the category of "Female Bench Strength" and second in "Overall Bench Strength".
- The Convex claims team was recognised with a London Market Claims Service Quality Marque by Gracechurch Consulting.
- In 2024, we continued building out our digital underwriting capabilities, partnering with brokers and technology providers in order to provide data and technology-driven solutions to transacting high volume, low complexity business.

External parties – reinsurance partners, suppliers, and regulators

Our suppliers help Convex deliver the service excellence for which we strive, and as such we try to work in a partnership with them. We operate in a highly-regulated industry, and therefore maintaining good relationships with our regulators is essential to our success. Our regulators are primarily the FCA and PRA in the UK and the Commissariat aux Assurances ("CAA") for the Company's Luxembourg subsidiary. In addition, business written in the United States is regulated by the NAIC, as well as the California Department of Insurance. The Convex Group is regulated by the Bermuda Monetary Authority ("BMA") in Bermuda which also serves as the Group Supervisor. We have maintained and developed our relationships with reinsurance partners, suppliers, and regulators in 2024 as follows:

- In 2024, the Company continued to have ongoing and periodic discussions with our reinsurers, key suppliers, and third parties. Updates on these regular meetings were provided to the Board.
- During 2024, the Directors and management met with our ratings agencies (S&P and A.M. Best) to secure our credit ratings and provide the business plan. A.M. Best affirmed our rating of A, and S&P revised the outlook on the Company's A- rating to "positive" from "stable". On a quarterly basis the Company CFO and the Group CFO met with these agencies to provide an update on actual results. Throughout the year, we were in contact on both a regular basis, and an ad hoc basis to keep the credit agencies abreast of business performance and updates.
- The Chief Compliance Office has facilitated regular communication with the regulators and supported the Company in delivering outputs which have been driven by our regulators. Convex ensures that the lines of communication are kept open in between these regular meetings. In 2024 a Convex Group "Supervisory College" was arranged as an information exchange session with the BMA, PRA and CAA.

Community and charity

Supporting our local community is a fundamental part of Convex's Corporate Responsibility ("CR") and is being embedded into our CR principles. The Convex Group strengthened ties with our community over 2024, with activities led and managed by employees via our London and Bermuda Charity, Outreach, Diversity & Engagement ("CODE") Committees, which in turn reports into the Convex Group's Corporate Responsibility Committee.

We engaged in a number of initiatives over the year, as set out below:

- In 2024, we continued to offer 3 volunteering days to each employee to use with charitable organisations of their choice. Some teams chose to volunteer together: for example, our Claims team hosted a beach clean in Brighton with a group of Brokers in partnership with the Marine Conservation Society.
- Convex also continue to fund-match all charitable endeavours up to $500, supporting countless employees to run, climb, swim and cycle to raise money for charities. In recognition of Convex's 5th Birthday we initiated a volunteering initiative in London to help prepare 5,000 meals in 8 hours, working with the Thomas Franks Foundation and their partners City Harvest, who distributed into their network of 470 local charities and community organisations.

Section 172(1) Statement (continued)

- In 2024 Convex continued working with Alzheimer's Research UK ("ARUK") as our corporate charity partner to educate employees, brokers and clients about dementia and Alzheimer's. One highlight was an employee visit to one of the world's leading research centres. The work of the London & Bermuda CODE Committees, which are made up of volunteers from across Convex Group, has continued in 2024. These Committees aim to support our local communities through charitable giving and outreach, building open dialogue and initiatives relating to diversity, as well as being a forum for social engagement within the local offices.
- In 2024, the London CODE committee chose our next local charity partner for the year as the Childhood Trust. This is a charity dedicated to alleviating the impact of poverty on children in London. The partnership involved both a monetary donation and opportunities for Convexians to volunteer. Convex also supports the London Youth Choir, a charity working to transform young lives through singing; through 10 choirs and free programmes in schools, helping thousands of young Londoners each year access the joys and benefits of singing.
- Convex Allies, a group of employees from across the business linked to the CODE Committee, met regularly throughout 2024 to promote inclusion within Convex. They hosted a number of events including a panel on 'inspiring inclusion' for International Women's Day and one on 'movement for mental heath' later in the year. The team also initiated an internal podcast series called 'Convex Journeys', featuring interviews with Convexians from across the organisation, talking about their personal and career journeys.
- In 2024, Convex also continued our partnership with Haverstock School in Camden. As part of this we began sponsorship of our third student to provide fees to cover all university fees and accommodation. We also continued to mentor sixth form students and hosted masterclasses to teach students about the insurance industry.
- The Convex Seascape Survey ("CSS") has had a significant impact this year, with a progress report presented to an esteemed audience at COP 28, Dubai and further elaboration by lead scientist, Professor Callum Roberts, at the Economist World Ocean Summit in Lisbon. The project's educational value was exhibited through the release of globally accessible, free lessons on Ocean and Climate, contributing to the formal integration of the ocean's role in the carbon cycle into the UK school curriculum. Additionally, we hosted events such as the CSS Kids Science Day in London and an 'Introduction to Convex Seascape Survey' at the Bermuda Underwater Exploration Institute.

Environment

Our approach to sustainability is integral to and integrated in Convex's strategy, and is underpinned by Convex's values. We are clear that we will only deliver on our ambition to be the partner of choice for the insurance and reinsurance of complex specialty risks if we fully integrate environmental, social and governance considerations into how we run our organisation.

Over the last few years, the Convex Group has undertaken several activities to actively participate and advance in our sustainability journey:

- CGL's Executive Chairman, Stephen Catlin, leads the Convex Group's engagement in climate change risk and the broader sustainability agenda. At Company level, the regulatory accountability for climate change risk (according to the PRA Senior Management and Certification Regime ("SMCR")) is held by William Marcoux, Chair of the Company Board.
- The Convex Sustainability Strategy is set out in our Sustainability Statement which can be found on our website. This strategy was developed with active engagement from Convex Group entity Boards and members of senior management, demonstrating a clear acknowledgement of the importance of climate related matters in the Convex Group's overall strategy. Our Sustainability Strategy includes a Board approved commitment to net zero by 2050, with actions identified to develop interim targets and milestones.
- We have continued to make progress in developing processes to assess and prioritise climate risks and to ensure that our approach to these risks is integrated into our Risk Management Framework and embedded throughout the organisation. In response to the PRA's Supervisory Statement 3/19, the Risk Management function developed a series of scenarios to evaluate the impact of the financial risks of climate change across our balance sheet. This analysis has been further developed to focus on the near-term impacts of climate change through Project Berlin, as detailed in the Climate Risk section of this Report.
- There is an active Sustainability Engagement Plan which has seen our Group Head of Sustainability undertake a series of engagements with our insurer, broker, client community in order to foster good communications and action on sustainability and decarbonisation in particular.

Section 172(1) Statement (continued)

- Our engagement with Climatewise, an industry-led organisation convened by the University of Cambridge Institute for Sustainability Leadership, continues to be strong: Stephen Catlin, has been a Climatewise Council member since its inception and our Group Head of Sustainability is an active member of the Management Committee. In 2024 the Convex Group continued to report against the Climatewise Principles, which are aligned to UK climate and sustainability reporting, and this was subject to independent review.
- This year has seen the completion of another Convex Seascape Survey, a global, five year research programme into carbon stored in the seascape, aiming to create open access data together with a notable education programme. The work, led by University of Exeter and a number of other institutions, is advancing global understanding of the ocean's function as a carbon sink, improving our knowledge of how the ocean and the atmosphere interact in transferring carbon dioxide and the role of animal life above and within the seabed and the carbon they lock away. The progress of CSS is overseen by the CSS Steerco which includes the Convex Group Executive Chairman, Group Head of Sustainability and Group Head of Marketing, together with representatives of Blue Marine Foundation and University of Exeter.
- Convex's Impact Investment strategy seeks to target attractive investment opportunities which contribute to specific environmental or social outcomes. To date we have executed on two transactions and are actively reviewing a number of additional opportunities.
- Convex has continued to expand our sustainable insurance offerings through support of multiple offshore wind programs, aiding battery recycling facilities, and promoting sustainable aviation.
- Convex has supported climate change research and initiatives by sponsoring the development of the 'Magniphi' climate change loss sampler tool by Maximum Information and being actively involved with Oasis, an open-source catastrophe modelling platform. Additionally, Convex has contributed to the Insurance Development Forum and the Geneva Association, enhancing risk modelling and supporting the transition to a resilient, low-carbon economy.
- Convex Group has purchased carbon offsets from a number of entities to offset 2024 emissions.

Principal Decisions of the Board 2024

The Company Board of Directors met regularly throughout 2024 and continued to act and make strategic decisions in line with the Company's objectives, in order to promote the long term growth of the Company, as well as the interests of its stakeholders. The Board considered a number of diverse strategic initiatives and proposals, leading to the following key decisions being made:

- approval of the 2023 financial results and regulatory returns;
- approval of 2024 Own Risk and Solvency Assessment ("ORSA");
- approval of Group Risk Management Framework;
- approval of new letter of credit facilities;
- approval of quarterly reserves;
- approval of the 2025 Business Plan; and
- approval of the 2025 Investment Plan.

Approval

This report was approved by the Board of Directors on 12 March 2025 and signed on its behalf by:

Theodore Butt (7 April 2025)
Director

Directors

The following individuals served as Directors during the financial year, and up to the approval date of this report:

Names	Appointed	Resigned
Theodore Butt		
Stephen Catlin		24 January 2024
Dr. Claus-Michael Dill		
Fiona Luck		
Kelly Lyles		
Nicholas Lyons		10 January 2025
William Marcoux		
Benji Meuli	1 July 2024	
Anna Tucker		
Matthew Wilson		

None of the Directors hold shares in the Company.

Corporate Governance

The Convex Group is committed to an effective and transparent system of communication with its Boards and stakeholders which is implemented throughout the Group including at the Company level. The Company follows a corporate governance framework broadly aligned to and compatible with the *Wates Corporate Governance Principles for Large Private Companies* issued by the UK Financial Reporting Council.

Strategy and Objectives
The Convex Group's strategy and objectives are set out in detail in the *Strategic Report*.

Board Composition
As of the date of signing this Report, the Company's Board consisted of two Executive Directors, a Non-Executive Director and five independent Non-Executive Directors. The Directors are individuals with a broad range of industry experience and skills which we believe supports the Company's strategic objectives and long term success.

The Board is strengthened by a robust governance framework which enables Directors to discharge their duties effectively. The Board and both its Audit and Risk Committees each have detailed terms of reference which are reviewed every year and against which Committee and Board Performance is assessed annually.

Following an external Board effectiveness review commissioned in 2023, the Board has implemented a number of its recommendations, including formally documenting Directors' skills and training and implementing a Board succession-planning process.

Director responsibility
The Board meets at least quarterly, more usually five times per annum. External auditors and actuaries report to the Audit Committee regularly. The Board has a dedicated Board meeting to review the annual business plan and strategy for the following year. The Board receives training and deep dive sessions on any area of the business in which it expresses an interest or where the executives feel a new development requires further training. The Non-Executive Directors of the Board also meet independently with all assurance functions outside of the quarterly Board meetings.

Opportunity and risk
At each quarterly Board meeting, the Board hears from the CEO and the Company's Chief Underwriting Officers, for both Insurance and Reinsurance, for updates on the market and market conditions. The Risk function reports to the Risk Committee and to the Board. Internal Audit and Compliance report to the Audit Committee and Board respectively and the Chief Compliance Officer also attends the Risk Committee.

Corporate Governance (continued)

Remuneration

The Nomination and Remuneration Committee of the Group Board reviews and decides matters concerning remuneration around the Convex Group, taking into account interests of all employees, stakeholders and risk management. One of the independent Non-Executives who sits on that Committee also sits on the Company's Board and is responsible for remuneration matters at the Company level. He and the Group Chief People Officer report to the Company's Board on any remuneration issues for the Board's consideration.

Stakeholder relationship and engagement

Details of the Company and the Convex Group's engagement with stakeholders can be found in Section 172(1) statement in the *Strategic Report*.

Political Donations

The Company made no political donations during the year (2023: nil).

Streamlined Energy and Carbon Reporting

The table below shows the Company's operational energy and carbon footprint in line with the reporting requirements of the UK government's Streamlined Energy and Carbon Reporting ("SECR") framework. Our carbon emissions are reported using the Greenhouse Gas Protocol, a widely used international reporting tool. Greenhouse gas ("GHG") emissions are categorised into three scopes:

- Scope 1 covers direct emissions from owned or controlled sources. The Company consumes gas in the use of its office buildings.
- Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling which the Company consumes. Electricity for our UK office is certified from renewable sources.
- Scope 3 includes all other indirect emissions that occur in the Company's value chain. In 2024, our reporting of Scope 3 emissions has been updated to include employee commuting as well as business travel and business waste.

Greenhouse Gas Emissions

Scope	Description	Metric	2024 tCO_2e*	2023 tCO_2e*
Scope 1	Natural Gas	kwH	33	37
Scope 2	Electricity (location-based)	kwH	113	120
Scope 3	Travel (Flights, rail, taxi, and hotel) and waste	Mile	2,564	2,578
Total Emissions			**2,710**	**2,735**
Intensity ratio	Average tCO_2e per employee		6.94	7.62
Carbon Offsets			(2,710)	(2,735)
Total Net Emissions			**-**	**-**

* tCO_2e – defined as a metric tonne of carbon dioxide, or equivalent thereof for other greenhouse gasses. Figures are calculated by multiplying the relevant metric by the UK Government conversion factors for greenhouse gas reporting.

The Company has a number of initiatives to reduce its carbon footprint, including 100% of the electricity for our UK offices certified as from renewable sources.

Our objective to build a sustainable operation will form a significant part of our journey to net-zero. However, a significant proportion of our reported emissions is from corporate travel which will remain hard to abate for some time to come. For this reason, the purchase of carbon offsets forms part of Convex's transition strategy alongside the development of targets and strategies to reduce such emissions. Convex has purchased offsets from a range of projects, including carbon avoidance and carbon removal, that are registered with leading standards such as Gold Standard, Plan Vivo and Verra. Further details on our carbon offsets can be found in our ClimateWise Report, published on the Convex website https://convexin.com/about-us/sustainability/.

Employment Practices

The Company has no employees but refer to the Section 172(1) statement in the *Strategic Report* for details on the Convex Group's employment practices.

Directors' Indemnification

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the *Companies Act 2006*. The indemnity was in force throughout the financial year and is currently in force. The Company's ultimate parent, Convex Group Limited, also purchased and maintained Directors and Officers liability insurance in respect of group companies and their Directors.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and this re-appointment is ongoing.

Future Developments

Details of the Company's *Outlook* can be found in the *Strategic Report*. The future development forms part of this Directors' Report and is incorporated by cross-reference.

Going Concern

The Company has assessed its current and forecast capital and liquidity positions, to ascertain the appropriateness of adopting a going concern basis. The Company has significant financial resources and, having reviewed the key performance indicators of the Company as described in the Strategic Report, the Directors have an expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the signing of these financial statements.

Please refer to the *Summary of Significant Accounting Policies* in the *Notes to the Financial Statements* for additional detail.

Financial Instruments

The financial risk management objectives and policies for the Company can be found within the Strategic Report, with details of exposures being found in Note 4 to the financial statements. Financial risk management objectives and policies form part of this *Directors' Report* and are incorporated into it by cross-reference.

Dividends Paid and Declared

No dividends were paid or proposed for the year (2023: nil).

Subsequent Events

The Company has completed a review of events occurring after 31 December 2024 and before the date the financial statements were authorised for issue. There were no events that required either disclosure in, or adjustment to, the financial statements.

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*, Financial Reporting Standard 103 *Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing insurance contracts* and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 and FRS103 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to:

- show, and explain, the Company's transactions;
- disclose, with reasonable accuracy, at any time, the financial position of the Company; and
- enable them to ensure that the financial statements comply with the *Companies Act 2006*.

Directors' confirmations

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the *Companies Act 2006*.

Approved by the Board of Directors on 12 March 2025 and signed on its behalf by:

Theodore Butt (7 April 2025)
Director

Independent auditors' report to the members of Convex Insurance UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Convex Insurance UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2024; the Profit and Loss Account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 8, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit is driven by statutory requirements in the UK. Our audit objective is to obtain sufficient relevant and reliable audit evidence to enable us to issue an opinion on the statutory financial statements. As part of our audit, we focused on balances and disclosures which represented a risk of material misstatement to the users of the financial statements.

Key audit matters

- Valuation of gross incurred but not reported (IBNR) reserves and the associated reinsurers' share
- Valuation of estimated premium income

Materiality

- Overall materiality: $36.1m (2023: $29.6m) based on 1% of Gross Premiums Written.
- Performance materiality: $27.0m (2023: $17.8m).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Independent auditors' report to the members of Convex Insurance UK Limited

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of gross incurred but not reported (IBNR) reserves and the associated reinsurers' share Refer to notes 3(c), 3(j), 4 and 6 to the financial statements for disclosures of related accounting policies and balances. Total gross IBNR reserves and the associated reinsurers' share are significant estimates in the financial statements. The methodologies and assumptions used to develop gross IBNR reserves and the associated reinsurers' share involve a significant degree of judgement. As a result, we focused on this area as the valuation can be materially impacted by numerous factors, including the risk of inappropriate methods and assumptions used in determining the estimates, which is particularly relevant given the company's limited historical loss data.	To address the significant risk that has been identified in relation to gross IBNR reserves and the associated reinsurer's share, we have performed the following procedures: • Understood, evaluated, and tested the design and operating effectiveness of key controls in place in respect of the valuation of the gross IBNR reserves and associated reinsurers' share; • Whilst the underlying data is not a part of our identified significant risk, as a key input to our audit procedures to address the significant risk, we have reviewed and tested the reconciliation of data from the underlying systems to the data used in the actuarial calculations; • For classes where limited incurred claims development exists, using our actuarial specialists, we independently developed a point estimate (with the use of our market view reserving assumptions, tailored to the company's reserving classes using Lloyd's risk code data) in respect of the valuation of the non-catastrophe IBNR reserves across a selection of classes of business. We used this point estimate to challenge the reasonableness of management's IBNR reserves on these classes; • For classes where sufficient historical claims development exists, using our actuarial specialists, we independently developed a point estimate using the Bornhuetter Ferguson method. We used this point estimate to challenge the reasonableness of management's IBNR reserves on these classes; • Using our actuarial specialists, we applied reinsurance arrangements to our independently developed point estimate of the gross IBNR reserves to determine the associated reinsurers share; • Tested the methodologies and assumptions used by management in establishing the gross and net IBNR reserves for catastrophe and specific reserves; • Used our internally derived market benchmarks to challenge the reasonableness of management's IBNR reserves for these events; • Evaluated the appropriateness of the booked IBNR reserve margin, taking into account estimation uncertainty inherent in the underlying insurance business; and • Reviewed management's disclosure in respect of the associated estimation uncertainty. Based on the work performed and the evidence obtained, we consider management's estimate of the valuation of the gross IBNR reserves and associated reinsurers' share to be appropriate.

Independent auditors' report to the members of Convex Insurance UK Limited

Valuation of estimated premium income	
Refer to notes 3(c), 3(g) and 4 to the financial statements for disclosures of related accounting policies and balances. Within the Gross Premiums Written FSLI, for certain insurance and reinsurance contracts written, premium is initially recognised based on estimates of ultimate premium, with application of a writing pattern for delegated authority business. For these contracts, premiums received may differ from initial estimates, which can result in adjustments being made to the premiums initially recorded. The estimation process involves judgement especially in light of the fact that management have limited historical information on which to base their estimates due to the maturity of the company. We focused on this area given the level of estimation uncertainty and judgement involved.	To address the significant risk that has been identified in relation to estimated premium income recognised, we have performed the following procedures: • Understood, evaluated, and tested the design and operating effectiveness of key controls in place in respect of estimated premium income; • Performed a retrospective review of premium estimates to assess management's historical estimation accuracy. To do this, we reviewed the development of estimated premium income booked as at 31 December 2023 through to 31 December 2024; • Performed tests of detail over a sample of estimated premiums by obtaining supporting evidence which included (but was not limited to) actual signings, cash receipts and third party correspondence in relation to the estimated premium amounts; • Tested the application of management's writing patterns to the ultimate premiums; and • Reviewed management's disclosures in respect of the associated estimation uncertainty. Based on the work performed and the evidence obtained, we consider management's estimate of the valuation of estimated premium income to be appropriate.

How we tailored the audit scope

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

The impact of climate risk on our audit

We made enquiries of management to understand the process for assessing climate related risks and opportunities, which included reviewing the company's climate reporting framework. For the year ended 31 December 2024 the main audit risks identified in relation to climate risk related to the financial statement disclosures and the consistency of those disclosures with the information included in the Strategic report and Directors' report. Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters.

Materiality

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

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

Overall company materiality	$36.1m (2023: $29.6m).
How we determined it	1% of Gross Premiums Written
Rationale for benchmark applied	In determining our materiality, we have considered financial metrics which we believe to be relevant to the primary users of the company's financial statements. We concluded gross premiums written was a relevant benchmark as it is one of the company's key performance indicators.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 60%) of overall materiality, amounting to $27.0m (2023: $17.8m) for the company financial statements.

Independent auditors’ report to the members of Convex Insurance UK Limited

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1.80m (2023: $1.48m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Validating management's analysis and supporting documentation as it related to the company's going concern;
- Reviewing management’s going concern assessment and assessing the impact on the company’s capital, solvency and liquidity positions;
- Considering other information obtained during the course of the audit (for example regulatory correspondence) and publicly available market information to identify any evidence that would contradict management's assessment of going concern;and
- Assessing the disclosures made in the financial statements in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Independent auditors' report to the members of Convex Insurance UK Limited

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK Tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journals and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, internal audit, the risk and compliance functions and the company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the whistleblowing helpline and the results of investigations of such matters;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant company meeting minutes;
- Testing, and challenging where appropriate, the assumptions and judgements made in establishing significant accounting estimates, particularly in relation to the valuation of gross incurred but not reported (IBNR) reserves and the associated reinsurers' share and the valuation of estimated premium income;
- Identifying and testing journal entries based on our criteria; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Independent auditors' report to the members of Convex Insurance UK Limited

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 15 February 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2019 to 31 December 2024.

Siobhan Byrne

Siobhan Byrne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 April 2025

Profit and Loss Account

For the year ended 31 December 2024

(Expressed in thousands of U.S. Dollars)	Notes	2024	2023
TECHNICAL ACCOUNT – GENERAL BUSINESS			
EARNED PREMIUMS, NET OF REINSURANCE			
Premiums written			
Gross amount	5	3,606,050	2,960,596
Reinsurers' share		(2,179,727)	(1,804,065)
		1,426,323	1,156,531
Change in the provision for unearned premiums			
Gross amount	6	(437,024)	(512,729)
Reinsurers' share	6	243,633	277,551
		(193,391)	(235,178)
Earned premiums, net of reinsurance		1,232,932	921,353
CLAIMS INCURRED, NET OF REINSURANCE			
Claims paid			
Gross amount		(773,676)	(697,780)
Reinsurers' share		513,076	479,605
		(260,600)	(218,175)
Change in the provision for claims			
Gross amount	6	(967,988)	(484,747)
Reinsurers' share	6	660,616	296,595
		(307,372)	(188,152)
Claims incurred, net of reinsurance		(567,972)	(406,327)
Net operating expenses	7	(567,888)	(443,264)
BALANCE ON TECHNICAL ACCOUNT FOR GENERAL BUSINESS		97,072	71,762
NON-TECHNICAL ACCOUNT			
Investment income	10	122,632	68,685
Unrealised gains on investments	10	18,941	48,635
Investment expenses and charges	10	(2,714)	(2,777)
BALANCE ON NON-TECHNICAL ACCOUNT		138,859	114,543
PROFIT BEFORE TAX		235,931	186,305
Tax on profit	11	(59,312)	(16,841)
PROFIT FOR THE YEAR		**176,619**	**169,464**

Other comprehensive income for the year is $nil (2023: $nil).

Statement of Financial Position

As at 31 December 2024

(Expressed in thousands of U.S. Dollars)	Notes	2024	2023
INVESTMENTS			
Other financial investments	12	2,854,023	2,389,916
Investment in subsidiaries	18	133,419	123,419
		2,987,442	2,513,335
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums	6	1,189,073	954,833
Claims outstanding	6	1,920,641	1,277,865
		3,109,714	2,232,698
DEBTORS			
Debtors arising out of insurance operations	13	1,919,737	1,513,915
Amounts due from other group companies	15	313	5,788
Other debtors	16	35,514	19,362
Deferred tax asset	11	355	6,407
		1,955,919	1,545,472
OTHER ASSETS			
Cash at bank and in hand		118,563	161,271
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest and rent		26,347	17,650
Deferred acquisition costs	6	410,564	320,429
Other prepayments and accrued income		2,774	2,088
		439,685	340,167
TOTAL ASSETS		**8,611,323**	**6,792,943**

CONVEX INSURANCE UK LIMITED
Statement of Financial Position
As at 31 December 2024

(Expressed in thousands of U.S. Dollars)	Notes	2024	2023
CAPITAL AND RESERVES			
Called up share capital	17	390,552	390,552
Share premium		1,396,296	1,396,296
Profit and loss		189,124	12,505
Total equity		1,975,972	1,799,353
TECHNICAL PROVISIONS			
Provision for unearned premium	6	2,038,969	1,622,675
Claims outstanding	6	2,865,988	1,923,865
		4,904,957	3,546,540
CREDITORS			
Creditors arising out of insurance operations	14	1,477,522	1,220,874
Amounts owed to group companies	19	50,493	50,922
Other creditors including taxation and social security	20	18,138	28,469
		1,546,153	1,300,265
ACCRUALS AND DEFERRED INCOME			
Accruals and deferred income	21	184,241	146,785
TOTAL EQUITY AND LIABILITIES		**8,611,323**	**6,792,943**

The accompanying notes on pages 27 to 53 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 12 March 2025 and signed on its behalf by:

Matthew Wilson (7 April 2025)
Director

Convex Insurance UK Limited
Registered number 11796392

Statement of Changes in Equity

For the year ended 31 December 2024

(Expressed in thousands of U.S. Dollars except for share amounts)	Called up share capital	Share premium	Profit and loss	Total equity
At 1 January 2024	390,552	1,396,296	12,505	1,799,353
Ordinary shares issued	—	—	—	—
Profit or (loss) for the year	—	—	176,619	176,619
At 31 December 2024	390,552	1,396,296	189,124	1,975,972

	Called-up share capital	Share premium	Profit and loss	Total equity
At 1 January 2023	384,565	1,282,533	(156,959)	1,510,139
Ordinary shares issued	5,987	113,763	—	119,750
Profit or (loss) for the year	—	—	169,464	169,464
At 31 December 2023	390,552	1,396,296	12,505	1,799,353

(Expressed in thousands of U.S. Dollars)

1. General Information

Convex Insurance UK Limited ('"the Company'') is a private company, limited by shares, and is registered in England and Wales under the *Companies Act 2006*. The principal activities of the Company are included within the Strategic Report.

The address of the Company's registered office is 52 Lime Street, London, EC3M 7AF, United Kingdom.

2. Statement of Compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland* ("FRS 102"), Financial Reporting Standard 103 *Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing insurance contracts* ("FRS 103"), the *Companies Act 2006 ("the Act")* and *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* ("the Regulations").

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently for the years ended 31 December 2024 and 31 December 2023.

a. Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. These financial statements are prepared on a standalone basis (the Company has taken the exemption from preparing consolidated financial statements in line with *the Act*) and cover the year ended 31 December 2024.

b. Going concern

Having assessed the principal risks and performed a going concern assessment, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

The assessments performed include evaluating the Company's current financial position, including sources of liquidity, in conjunction with the Board-approved business plan for expected growth. The Company has a strong liquidity position given its cash and investment position at the end of 2024. A Liquidity Stress Testing Framework is in place to ensure it can withstand an extreme scenario, which constitutes a combination of a large loss event and a market liquidity shock. The results of this test indicated that the Company is sufficiently liquid to continue as a going concern in this extreme scenario, while continuing to support its day-to-day operations.

In addition, the Company assesses its capital under the PRA's Solvency II requirements using the Standard Formula. The Directors have reviewed the Company's forecast solvency and liquidity position under this regime and are content that this supports the continued use of the going concern basis in preparing the financial statements.

As a result, the Directors are of the opinion that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the signing of these financial statements.

c. Use of estimates and judgements

The preparation of the financial statements in conformity with FRS 102 and FRS 103 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Company's principal estimates include:

- claims incurred but not reported ("IBNR") losses, and the related reinsurers' share, including the provision for uncollectible amounts; and
- the ultimate estimated premium income ("EPI") written on binders, bulking lineslips and inward proportional reinsurance policies.

Estimate - IBNR losses
The most significant estimate made by the Company is the estimate for IBNR losses. The total gross estimate at 31 December 2024 is $2,096,263, $667,632 net of reinsurance (2023: $1,367,338 gross, $445,533 net of reinsurance) and is included within claims outstanding on the Statement of Financial Position. A number of judgements are involved in deriving these estimates, including how the business is segregated into risk categories, and how benchmarks are used to supplement internal data. The uncertainty around the IBNR losses is somewhat amplified given the lack of the Company's own historical data, as well as economic, regulatory, and geopolitical conditions in the market.

To manage this uncertainty, a range of externally sourced market benchmarks are used to project loss estimates to ultimate losses, and also applies a margin on top of actuarially estimated reserves. In addition, sensitivity testing of key assumptions is performed to assess the reasonableness of the booked IBNR losses, and the related reinsurers' share.

In determining the IBNR losses for 2024, the Company continues to assess the propensity for inflationary pressures to impact each class of business, and applied appropriate changes to initial expected loss ratios for the relevant classes.

Estimate - EPI
The Company writes contracts for which the premium is based on an estimate upon initial recognition as the coverage is variable and based on a number of external factors. The amount of premium received on such contracts is subject to uncertainty and may differ materially from the amounts initially estimated in the financial statements. In order to manage this risk, estimates are reviewed regularly and, as new information becomes available, the recorded premiums are adjusted as necessary. These adjustments sometimes lead to an increase or decrease in expected premiums. Adjustments to gross written premium estimates, if any, are recorded in the period in which they become known.

Judgement - investment in subsidiaries
The Company has applied judgement in determining that the option to value *investments in subsidiaries* at cost less impairment per FRS 102 meets the requirements of *the Regulations* to measure these at "current value that has a prudent regard to likely realisable value."

d. Statement of Cash Flows and Statement of Comprehensive Income
The Company has taken advantage of the exemption under FRS 102 paragraph 1.12(b), from preparing a Statement of Cash Flows, on the basis that it is a qualifying entity and its ultimate parent company, Convex Group Limited, includes the Company's cash flows in its publicly available consolidated financial statements.

The Company had no "other comprehensive income" in either the current of prior period so has not presented a separate Statement of Other Comprehensive Income.

e. Exemption from disclosing related party transactions
The Company has taken advantage of the exemption under FRS 102 paragraph 33.1A, from disclosing related party transactions on the basis that it is a qualifying entity and is a wholly owned subsidiary of Convex Group Limited.

f. Foreign currency translations and settlements
The Company's reporting and functional currency is the United States Dollar ("USD"). The Company operates in multiple transactional currencies. In the *Profit and Loss Account – Technical Account*:

- Premium and acquisition costs are recorded at the rate of exchange prevailing at the start of the month the policy incepts.
- All other transactions are recorded at the rate prevailing on the start of the month in which the transaction occurs.

At each month end during the year:

- Foreign currency monetary items are translated at the rate of exchange prevailing at the end of the month.
- Foreign currency non-monetary items measured at historical cost are translated using the exchange rate prevailing at the start of the month in which the transaction occurs.
- All foreign exchange gains and losses are recognised in the *Profit and Loss Account – Technical Account*. These arise from:
  - Settlements of non-USD foreign currency transactions; and
  - Retranslations of monetary items at year end exchange rates.

g. Premium income on issued insurance contracts

Direct insurance and assumed inwards reinsurance premiums
Direct insurance premiums are recorded as written at the inception of each policy and are earned over the exposure period.

Direct insurance premiums on binders are estimated at inception, and are recognised by applying a writing pattern to the total estimated premium on the binder. Direct insurance premiums on temporary insurance policies (bulking lineslips) are estimated at inception and the total estimated premium is written at the inception of the policy.

Premiums on assumed inwards reinsurance contracts are estimated based on information provided by ceding companies, and are recorded at the inception of the policy.

For contracts with estimated premiums, the amount of premium ultimately received may differ from the amounts initially estimated in the financial statements. These estimates are reviewed regularly and as new information becomes known, the recorded premiums are adjusted as necessary. These adjustments can lead to an increase or decrease in premiums recognised. Adjustments to gross written premium estimates, if any, are recorded in the period in which they become known.

Written premiums are earned over the contract period commensurate with the underlying risk. For assumed reinsurance contracts written on a risk attaching basis, the earning period is based on the terms of the underlying policies attached to that contract. This period extends past the expiry of the reinsurance contract and as a result premiums on assumed reinsurance policies are earned over the contract period plus 12 months. Unearned premiums in respect of the above premiums represent the portion of premiums written which is applicable to the unexpired risk portion of the policies in force.

Reinstatement premiums
Reinstatement premiums are calculated for losses by applying coverage limits for the remaining life of the contract as per the predefined contract terms. The accrual of reinstatement premiums is based on our estimate of losses and loss adjustment expense as described in *Reserve for claims outstanding* below. Reinstatement premiums under predefined contract terms are fully earned when accrued.

h. Ceded reinsurance
The Company enters into reinsurance and retrocession agreements in order to mitigate its accumulation of loss, reduce its liability on individual risks, enable it to underwrite policies with higher limits and increase its aggregate capacity. Ceded reinsurance premiums are accounted for on bases consistent with those used in accounting for the underlying premiums assumed.

Unearned reinsurance premiums represent the portion of premiums ceded applicable to the unexpired term of policies in force. Reinsurers' share of provision for claims and claims paid represent amounts that will be collectible from reinsurers once the losses are paid.

i. Policy acquisition costs
Acquisition costs are expenses that are directly related to the successful production of new and renewal business. Policies are capitalised as deferred acquisition costs ("DAC") and amortised over the same terms as the related premium.

j. Reserve for claims outstanding
The reserve for claims outstanding includes reserves for unpaid reported losses ("case reserves"), IBNR losses, and for unallocated loss adjustment expenses ("ULAE").

Case reserves are established by management based on reports from brokers, ceding companies and insureds and represents the unpaid portion of the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by, the Company, including Allocated Loss Adjustment Expenses ("ALAE").

IBNR reserves are established by the Reserving Committee using a range of externally sourced market benchmarks, supplemented with internal data, to project loss estimates to ultimate. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. The earned portions of these estimates of ultimate losses and loss expenses are then used to derive the best estimate loss and loss expenses, to which a management margin is added. The Company continues to assess the propensity for inflationary pressures to impact each class of business, and applies what it believes are appropriate initial expected loss ratio assumptions considering the latest inflationary outlook.

The period of time from the occurrence of a loss to the reporting of a loss to the Company and to the settlement of the Company's liability may be several months or years. During this period, additional facts and trends may be revealed. Accordingly, losses and loss adjustment expenses ultimately paid may differ materially from the amounts recorded in the financial statements.

These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. These adjustments sometimes lead to an increase or decrease in ultimate losses. Adjustments to earned ultimate loss estimates, if any, are recorded in earnings in the period in which they become known.

A premium deficiency exists if the sum of expected losses and loss adjustment expense and deferred acquisition costs exceeds related unearned premiums (and, if appropriate, expected future premium). In this event, deferred acquisition costs are immediately expensed to the extent necessary to eliminate the premium deficiency. No premium deficiency was recorded for the year ended 31 December 2024 or year ended 31 December 2023.

k. Current and deferred taxation

Current tax

Current tax is recognised in the *Profit and Loss Account* and reflects:

- Estimated tax charges/credits associated with the current financial year's taxable profits/losses; and
- Changes in previously estimated tax charges/credits associated with previous financial year's taxable profits/losses.

Deferred tax

Deferred tax assets/liabilities within the *Statement of Financial Position* arise from differences in timing between the recognition of taxable profits/losses in the financial statements, versus their recognition in the tax computation.

Provision is made for all material timing differences, including revaluations of investment gains/losses recognised within the *Profit and Loss Account*. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference. This provision is not discounted.

Deferred tax assets are recognised to the extent that it is regarded more likely than not that these will be recovered.

l. Operating leases

Operating lease rentals are charged to net operating expense evenly over the period of the lease.

m. Financial instruments

The Company has chosen to adopt FRS 102 section 11 and 12 in full in respect of financial instruments. The Company's financial instruments comprise of other financial investments, investments in subsidiaries, cash and cash equivalents, debtors and creditors.

Other financial investments

Other financial investments include debt securities, short term investments and participations in investment pools and they are initially recognised at fair value. As these assets are managed and their performance evaluated on a fair value basis they are designated by as fair value through profit or loss and are subsequently measured at fair value. Any changes in fair value are recognised in the *Profit and Loss Account – Non-technical Account*.

Investment in subsidiaries

The Regulations require investments in subsidiaries to be measured at current value on a basis which has prudent regard to their likely realisable value. They are initially recognised at the consideration paid plus any directly attributable transaction costs. To have prudent regard for their realisable value, a review to determine whether there have been any indicators of impairment is performed at least annually. If such indicators exist, an impairment review is performed, and any resulting reduction in the carrying value recognised immediately in the *Profit and Loss Account*.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with banks, and all investments and money market funds (including those held at the Company's investment managers) with a maturity of 90 days or less at the time of purchase. They are initially recognised at transaction price and are subsequently measured at amortised cost.

Debtors and creditors

Basic financial assets such as debtors are initially recognised at transaction price and are subsequently measured at amortised cost less impairment. Basic financial liabilities such as creditors are initially recognised at transaction price and are subsequently measured at amortised cost.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(Expressed in thousands of U.S. Dollars)

Derecognition

Financial assets are derecognised when: (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Fair value hierarchy

The Company uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the bid price.
- Level 2: When quoted prices are unavailable the instrument is valued using inputs that are observable, either directly or indirectly, using quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs that are observable such as interest rates and yield curves observable at commonly quoted intervals, implied volatility or credit spreads and market-corroborated inputs.
- Level 3: When observable inputs are not available, unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using the valuation technique is to estimate what the fair value would have been on the measurement date.

See Note 4 *Strategic risk - fair value estimation* for details of financial instruments classified by fair value hierarchy.

n. Investment return

The net investment return is recognised within the *Profit and Loss Account - Non-Technical Account* and comprises:

- Investment income earned during the financial year;
- Realised investment gains/(losses) arising from the sales and maturities of investments during the financial year.
- Unrealised fair value gains/losses during the financial year; and
- Investment expenses, charges or interest incurred during the financial year.

Investment income

Investment income is measured on an accruals basis and comprises:

- Interest on bank balances;
- Coupons on bonds;
- Returns on money market funds; and
- Distributions from participations in investment pools.

Investment expenses, charges or interest

These are recognised on an accruals basis.

Realised gains/(losses)

These represent the difference between the fair value on initial recognition and derecognition. Any unrealised gains/(losses) previously recognised will be reclassified as realised gains/(losses) upon disposal or maturity of investments.

Movements in unrealised gains/(losses)

Unrealised gains/(losses) on investments arising during the financial year represent the difference between:

- fair value on initial recognition and that at year end if purchased during the financial year; or
- fair value at the current and prior year end if purchased in previous financial years.

***o.* Share capital**

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

p. Distributions to equity shareholders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the Statement of Changes in Equity.

q. New accounting standards, amendments, and interpretations

There are no new accounting standards or amendments to accounting standards effective from 1 January 2024 that have a material effect on the Company.

(Expressed in thousands of U.S. Dollars)

4. Risk Management

The Company, through its risk management function, the Board and Risk Committee, seeks to identify all material risks inherent in its business including emerging risks, understand the manifestations of each risk, then assess, control, mitigate and manage these risks appropriately. The Risk Committee monitors and oversees risk on behalf of the Board. The Risk Committee meets at least four times a year and the management information reported to this Committee has been developed to ensure there is focused oversight, discussion and challenge of risk management at Board level.

The objectives of the Company's risk management function are to ensure that:

- all material risks are proactively identified;
- the probability and impact of each risk are quantified on a pre-mitigation and post-mitigation basis;
- the potential to cause losses or generate profits is understood and assessed;
- appropriate action is taken to manage the assumption of each risk based on that assessment and the Company's stated risk appetite;
- an appropriate level of capital is held to cover financial and non-financial risks from all sources; and
- following a severe catastrophic event(s), appropriate capital action can be executed for the Company to remain solvent and meet its obligations.

The Risk Committee pays particular attention to business strategy, capital allocation, risk appetite, risk control framework and ensures these are implemented. The Company is exposed to risks from several sources. These fall into the broad categories of:

- underwriting risk (comprising premium, catastrophe and reserve);
- financial risk (comprising interest rate, foreign exchange, credit and liquidity);
- operational risk;
- strategic risk (comprising capital management and fair value estimation); and
- climate risk.

The Company has also considered its emerging risk exposures, which are identified through the emerging risk framework operated by the Risk Management function. Please refer to the *Emerging Risks* section below for further details.

Underwriting risk

Underwriting risk consists of premium risk, catastrophe risk and reserve risk.

Underwriting risk arises either from the acceptance of risks that do not comply with the Company's underwriting guidelines and corporate strategy, or from the acceptance of risks that result in losses and expenses greater than it had anticipated at the time of underwriting.

As an insurance and reinsurance company, the Company is in the business of taking underwriting risk and therefore has a high appetite for underwriting risk. The Company's risk limits are defined in the Company's risk appetite and risk tolerance limits for all underwriting risks.

The Company has underwriting guidelines in place that clearly define each underwriter's authority, permitted territorial scope, risks to be written, risks to be avoided, acceptance limits, maximum policy period, maximum net retention, and outward reinsurance.

As part of the Company's risk control strategy and governance, there are a number of controls in place to help manage underwriting risk, including the underwriting guidelines, pre-bind and post-bind reviews, and defined underwriting authority limits for each underwriter, as well as defined maximum lines.

The Company employs experienced catastrophe analysts and modellers, and experienced and credentialed actuaries, to perform pricing analyses ensuring each risk is adequately priced. These work alongside experienced underwriters, with strong underwriting discipline, to help mitigate risk.

Underwriting risk - premium

Premium risk is the risk that the premium to be earned over the next 12-month period from the in-force, new or renewal insurance/ reinsurance contracts is insufficient to cover the claim costs, claim adjustment expenses as well as the acquisition costs to be incurred by those contracts over the same period. Mitigation of underwriting risk is affected through diversification of underwriting both with respect to geography and line of business, as well as through a robust pricing and underwriting governance framework.

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Details of gross premiums written by geographical area of risk insured are set out below.

	2024		2023	
	Gross premiums written		Gross premiums written	
Geographic area of risk insured:	$	%	$	%
United States of America	1,920,022	53%	1,222,074	41%
United Kingdom	714,487	20%	939,871	32%
EU Member States	203,337	6%	136,966	5%
Other	768,204	21%	661,685	22%
	3,606,050	100%	2,960,596	100%

Details of gross premiums written by line of business are provided below.

	2024		2023	
	Gross premiums written		Gross premiums written	
Line of business	$	%	$	%
Direct insurance:				
Marine, Aviation and Transport	406,358	11%	321,260	11%
Fire and other damage to property	826,607	23%	641,325	22%
Third party liability	521,029	15%	406,731	14%
Miscellaneous	106,046	3%	99,687	3%
	1,860,040	52%	1,469,003	50%
Reinsurance	1,746,010	48%	1,491,593	50%
	3,606,050	100%	2,960,596	100%

Underwriting risk - catastrophe

Catastrophe risk is the risk that the premium to be earned over the next 12 month period from the catastrophe exposed insurance/reinsurance contracts (in-force, new or renewal) is insufficient to cover potential claim costs, claim adjustment expenses as well as the acquisition costs associated with those contracts that may originate from extreme or exceptional catastrophic events over the same period, such as, but not limited to, hurricanes, earthquakes, windstorms, landslides, and terrorist attacks.

Catastrophe risk is classified as a separate and distinct class of underwriting risk mainly due to its low frequency and high severity characteristics, and its potential to affect numerous contracts simultaneously and significantly erode the Company's capital.

The Company has made a series of strategic moves to diversify, spread and dilute its catastrophic exposures as well as optimise its underwriting portfolio through geographical diversification and by spreading risks across multiple lines of businesses.

The Company continues to monitor and manage the impact of climate related risks. Following a comprehensive scenario analysis using the PRA General Insurance Stress Test templates, the Company has conducted further assessments of the impact of climate change on its catastrophe underwriting under a work programme titled Project Berlin. This work is discussed further in the *Climate Risk* section of this Report. The Company will continue its ongoing assessment of the impact of climate change risk through 2025 and report the findings to the Board of Directors.

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Underwriting risk - reserve

Reserve risk is the risk that the best (point) estimate of IBNR (which is included within claims outstanding in the Statement of Financial Position) is inadequate to cover all future payments for the settlement of claims from all prior accident years occurring at or before the valuation date.

Reserve risk is distinct from premium risk and is related to premium exposures that have already been earned, as well as claims outstanding.

A summary of changes in claims outstanding is presented in Note 6. This comprises claims incurred but not reported reserves, unallocated loss adjustment reserves and any reinsurers' share thereof. To manage reserve risk, the Company's actuarial team uses individual case estimates along with a range of externally sourced market benchmarks to project loss estimates to ultimate using recognised actuarial techniques. An analysis of claims outstanding reserves, including IBNR reserves, is performed on a quarterly basis. The analysis is overseen by the Reserving Committee, a sub-committee of the Group Executive Committee. The Reserving Committee's remit is to review the sufficiency of the estimated claims outstanding, and IBNR reserves (including management margin), and to critically assess the claims reserving practices of the Company.

The level of uncertainty in estimates of ultimate claims varies significantly from class to class but can arise from inadequate reserves for known large losses and catastrophes, or from inadequate provision for unknown losses including external factors such as the levels of inflation. Concentrations of claims outstanding by line of business are provided below.

	2024		2023	
	Claims Outstanding		Claims Outstanding	
	$	%	$	%
Direct Insurance:				
Third party liability	677,246	24%	478,500	24%
Fire and other damage to property	314,033	11%	203,163	11%
Marine, Aviation and Transport	345,680	12%	196,790	10%
Miscellaneous	40,398	1%	32,421	2%
	1,377,357	48%	910,874	47%
Reinsurance	1,488,631	52%	1,012,991	53%
Total gross claims outstanding	2,865,988	100%	1,923,865	100%

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Underwriting risk - reserve (continued)

The table below summarises the development of gross ultimate cumulative claim estimates at the end of each financial year.

Gross	**Underwriting Year**						
Estimate of cumulative claims incurred	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
At end of Underwriting Year	6,306	280,081	518,000	740,201	645,203	997,584	
One year later	48,030	549,180	812,139	1,218,858	1,258,233		
Two years later	39,789	505,396	859,615	1,259,523			
Three years later	37,715	524,768	895,574				
Four years later	41,509	544,761					
Five Years Later	50,077						
Current estimate of cumulative claims incurred	50,077	544,761	895,574	1,259,523	1,258,233	997,584	5,005,752
Cumulative payments to date	39,214	393,677	548,239	709,075	367,445	82,114	2,139,764
Gross claims outstanding	**10,863**	**151,084**	**347,335**	**550,448**	**890,788**	**915,470**	**2,865,988**

The table below summarises the development of net ultimate cumulative claim estimates at the end of each financial year, illustrating how amounts estimated have changed from the first estimate made.

Net	**Underwriting Year**						
Estimate of cumulative claims incurred	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
At end of Underwriting Year	2,560	100,493	167,245	242,969	226,244	320,074	
One year later	18,033	194,369	252,779	398,504	437,093		
Two years later	14,452	182,746	268,819	408,094			
Three years later	14,073	188,026	277,471				
Four years later	14,984	196,785					
Five Years Later	17,006						
Current estimate of cumulative claims incurred	17,006	196,785	277,471	408,094	437,093	320,074	1,656,523
Cumulative payments to date	13,388	143,333	170,322	228,724	125,513	29,896	711,175
Net claims outstanding	**3,618**	**53,452**	**107,149**	**179,370**	**311,580**	**290,178**	**945,347**

The development of cumulative claims incurred on a gross and net basis from the end of each underwriting year to the end of financial year 1 is reflective of premium and claims earnings.

Financial risk

Financial risk refers to the risk of financial loss due to a change in the value of the Company's assets, or a change of market risk factors that affect the value of such assets. The Company has identified the following as its main sources of financial risks: interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Financial risk - interest

Interest rate risk is a function of general economic and financial market factors (such as the level, trend and volatility of interest rates), as well as the characteristics of the individual debt securities held in the Company's investment portfolio. The Company cannot control the former, but it can control the latter.

The Company measures interest rate risk by calculating the average maturity and average duration of its debt securities portfolio. These indicators measure the sensitivity of the portfolio's valuation to changes in interest rates.

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Financial risk - interest (continued)

The investment mix of debt securities held in the portfolio is as follows:

	2024					
	Fixed rate		Floating rate		Total	
	Fair values		Fair values		Fair values	
Debt securities	$	%	$	%	$	%
Government and government agencies	1,013,178	37.6%	—	—%	1,013,178	37.6%
Mortgage-backed securities	326,815	12.1%	4,148	0.2%	330,963	12.3%
Corporate	1,116,523	41.4%	—	—%	1,116,523	41.4%
Asset-backed securities	—	—%	206,364	7.7%	206,364	7.7%
Short term investments	27,029	1.0%	—	—%	27,029	1.0%
	2,483,545	92.1%	210,512	7.9%	2,694,057	100.0%

	2023					
	Fixed rate		Floating Rate		Total	
	Fair values		Fair values		Fair values	
Debt securities	$	%	$	%	$	%
Government and government agencies	1,115,265	48.6%	—	—%	1,115,265	48.6%
Mortgage-backed securities	164,190	7.2%	7,045	0.3%	171,235	7.5%
Corporate	783,272	34.2%	10,040	0.4%	793,312	34.6%
Asset-backed securities	—	—%	55,497	2.4%	55,497	2.4%
Short term investments	157,084	6.9%	—	—%	157,084	6.9%
	2,219,811	96.9%	72,582	3.1%	2,292,393	100.0%

The sensitivity analysis for interest rate risk illustrates how changes in the portfolio's fair values will fluctuate because of changes in market interest rates at the reporting date. This is detailed below assuming linear movements in interest rates.

	2024		2023	
Shifts in market interest rates	$	%	$	%
200 basis points	(114,751)	(4.0%)	(85,840)	(3.5%)
100 basis points	(57,375)	(2.0%)	(42,920)	(1.8%)
75 basis points	(43,032)	(1.5%)	(32,190)	(1.3%)
50 basis points	(28,688)	(1.0%)	(21,460)	(0.9%)
25 basis points	(14,344)	(0.5%)	(10,730)	(0.4%)
(25) basis points	14,344	0.5%	10,730	0.4%
(50) basis points	28,688	1.0%	21,460	0.9%
(75) basis points	43,032	1.5%	32,190	1.3%
(100) basis points	57,375	2.0%	42,920	1.8%
(200) basis points	114,751	4.0%	85,840	3.5%

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Financial risk - foreign exchange

Although the Company's presentation and reporting currency is USD, it operates internationally and its exposures to foreign exchange risk arise from several currencies when their exchange rates fluctuate against USD. This impacts the non-USD denominated transactions, assets and liabilities. The Company seeks to mitigate foreign exchange risk by closely matching the estimated foreign currency denominated liabilities with assets in the same currency. With 96% (2023: 96%) of net assets currently held in USD, the impact on equity of a significant weakening or strengthening of the USD against other currencies is considered minimal but is regularly monitored.

	2024							
	USD	GBP	EUR	CAD	AUD	JPY	Other	Total
Total assets	7,301,629	605,709	238,488	334,457	59,033	39,083	32,924	8,611,323
Total liabilities	(5,400,059)	(608,117)	(192,137)	(318,208)	(45,927)	(42,640)	(28,263)	(6,635,351)
Total equity	1,901,570	(2,408)	46,351	16,249	13,106	(3,557)	4,661	1,975,972

	2023							
	USD	GBP	EUR	CAD	AUD	JPY	Other	Total
Total assets	5,738,385	540,853	180,218	227,769	51,717	28,576	25,425	6,792,943
Total liabilities	(4,018,223)	(476,306)	(166,812)	(227,595)	(44,221)	(35,686)	(24,747)	(4,993,590)
Total equity	1,720,162	64,547	13,406	174	7,496	(7,110)	678	1,799,353

Financial risk - credit

Credit risk is the risk of potential financial loss due to unexpected default, or deterioration in the credit ratings of asset counterparties causing a loss in asset values. These include insurance and reinsurance debtors receivable from brokers/cedants and financial investments with a diverse range of counterparty issuers.

Credit risk on insurance and reinsurance debtors is managed by conducting business with reputable intermediaries, with whom the Company has established relationships, and by cash collection procedures on overdue debtors.

Credit risk on financial investments is managed by stipulating a minimum credit rating score for each security within an asset class, setting exposure limits in each credit rating band, and limiting the amounts of credit exposure with any one counterparty.

Investment guidelines are established to manage this risk. These guidelines set parameters within which the external investment managers must operate. The investment guidelines specify the limitations on the maximum percentage of assets that can be invested in a single issuer or in a single asset class. There are also specific limitations on the maximum maturity for various asset classes and minimum requirements of credit ratings.

Debtors arising out of insurance and reinsurance operations:

- These reflect counterparty credit exposures to policyholders/cedants that arise in the course of conducting underwriting activities. The Company transacts most of its insurance and reinsurance business through major and reputable intermediaries, where the relationships are either governed by terms of business agreements of a non-risk transfer type, or the law of agency in absence of agreements – the legal effect of either is the same.
- Legally, this means the Company is not on risk until the monies are received from policyholders/cedants by the Company – as the intermediary is acting in its capacity as agent rather than as principal. Consequently, monies received from policyholders/cedants by intermediaries that fail to pass these on will not result in the Company being on risk. Therefore, the Company's overall counterparty credit exposures are deemed to be low as the insurance and reinsurance coverage with policyholders/cedants could be cancelled pro rata temporis if monies are not received.

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Financial risk - credit (continued)

An analysis of the financial investment exposures by counterparty credit ratings is as follows.

2024	Debt securities	Short term investments	Participations in investment pools	Cash at bank and in hand	Reinsurance debtors	Total
AAA	248,474	1,733	—	10,276	—	260,483
AA+	1,276,803	—	—	—	6,410	1,283,213
AA	54,034	—	—	6,380	1,578	61,992
AA-	92,041	2,973	—	24,472	21,241	140,727
A+	210,379	4,787	—	77,435	62,524	355,125
A	242,878	2,280	—	—	5,342	250,500
A-	287,678	4,182	—	—	102,259	394,119
BBB+	97,575	8,177	—	—	—	105,752
BBB	137,099	2,897	—	—	—	139,996
BBB-	20,067	—	—	—	—	20,067
B	—	—	40,525	—	—	40,525
Not rated*	—	—	119,441	—	1,901	121,342
	2,667,028	27,029	159,966	118,563	201,255	3,173,841

** Relates to fund investments that are not rated (e.g. infrastructure equity).*

2023	Debt securities	Short term investments	Participations in investment pools	Cash at bank and in hand	Reinsurance debtors	Total
AAA	49,665	—	—	16,419	—	66,084
AA+	1,284,538	110,637	—	—	4,876	1,400,051
AA	25,971	1,466	—	16,686	29	44,152
AA-	80,407	1,974	—	2,531	35,334	120,246
A+	162,068	8,277	—	117,832	52,692	340,869
A	175,561	5,337	—	399	2,600	183,897
A-	172,416	7,575	—	—	71,728	251,719
BBB+	82,604	10,789	—	3,544	—	96,937
BBB	90,538	11,029	—	3,860	—	105,427
BBB-	11,541	—	—	—	—	11,541
B	—	—	36,796	—	—	36,796
Not rated*	—	—	60,727	—	2,946	63,673
	2,135,309	157,084	97,523	161,271	170,205	2,721,392

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Financial risk - liquidity

Liquidity risk is the risk that the Company is unable to meet its contractual obligations in a timely manner due to the inability of its investment assets to be sold without causing a significant movement in the price and with minimal loss in value, and therefore impact on size of assets.

The Company aims to keep liquidity risk as low as possible to be able to meet its contractual obligations in a timely manner, even under stressed scenarios such as following a major catastrophic event.

The Company's investment guidelines put the safety and liquidity of its investable assets before and above its pursuit of investment returns. The Company holds a significant amount of its assets in shorter-term cash and deposits. The majority of its investable assets are invested in debt securities, almost all of which are of high credit quality and can be sold on the open market quickly with little or no impact on prices.

The maturity dates of financial investments and cash at bank and in hand are as follows:

	2024				
	0-1 year	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Debt securities	344,017	1,460,093	372,796	490,122	2,667,028
Short term investments	27,029	—	—	—	27,029
Participations in investment pools	40,525	—	—	119,441	159,966
Cash at bank and in hand	118,563	—	—	—	118,563
	530,134	1,460,093	372,796	609,563	2,972,586

	2023				
	0-1 year	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Debt securities	315,435	1,456,239	147,229	216,406	2,135,309
Short term investments	157,084	—	—	—	157,084
Participations in investment pools	36,796	—	—	60,727	97,523
Cash at bank and in hand	161,271	—	—	—	161,271
	670,586	1,456,239	147,229	277,133	2,551,187

Claims payments are a significant component of the Company's liquidity considerations. The maturity dates of claim outstanding (excluding unearned premium reserves) shown below are based on estimated future payment outflows.

	2024				
	0-1 year	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Reinsurers' share of claims outstanding:					
Ceded outstanding claims	(141,333)	(195,487)	(78,694)	(76,497)	(492,011)
Ceded claims incurred but not reported	(410,382)	(567,626)	(228,499)	(222,123)	(1,428,630)
Ceded unallocated loss adjustment expenses	—	—	—	—	—
	(551,715)	(763,113)	(307,193)	(298,620)	(1,920,641)
Gross claims:					
Gross claims outstanding	273,551	252,922	105,946	109,289	741,708
Claims incurred but not reported reserves	773,129	714,824	299,432	308,878	2,096,263
Unallocated loss adjustment expense reserves	10,333	9,554	4,002	4,128	28,017
	1,057,013	977,300	409,380	422,295	2,865,988

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Financial risk - liquidity (continued)

	2023				
	0-1 year	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Reinsurers' share of claims outstanding:					
Ceded claims outstanding	(78,495)	(115,015)	(75,570)	(86,980)	(356,060)
Ceded claims incurred but not reported	(203,213)	(297,763)	(195,645)	(225,184)	(921,805)
Ceded unallocated loss adjustment expenses	—	—	—	—	—
	(281,708)	(412,778)	(271,215)	(312,164)	(1,277,865)
Gross claims:					
Gross claims outstanding	121,436	178,574	115,458	122,249	537,717
Claims incurred but not reported reserves	308,795	454,088	293,593	310,862	1,367,338
Unallocated loss adjustment expense reserves	4,248	6,247	4,039	4,276	18,810
	434,479	638,909	413,090	437,387	1,923,865

Operational risk

Operational risk refers to the risk of financial or other loss, or potential damage to the Company's reputation resulting from inadequate or failed internal processes, people and systems, or from external events.

The following are some examples of operational risks facing the Company:

- Legal and compliance risk;
- Information technology risk;
- Loss of key officers or employees;
- System failure and business interruption;
- Execution errors;
- Employment practice liability; and
- Internal and external fraud.

The Company has a low appetite for operational risk. Unlike underwriting and financial risks, operational risk has no upside and only downside, and therefore should be avoided if feasible and cost-effective.

Operational risk is difficult to quantify but can only be controlled through appropriate corporate governance and internal control measures. The Company has developed a number of policies and procedures aimed to control or mitigate the negative impact that may potentially result from operational risk events.

Strategic risk

Strategic risk is the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions, or inability to act in response to business opportunities, or to adapt to changes in its operating environment.

The following are examples of strategic risks facing the Company:

- Planning processes that are not fully integrated with internal financial indicators and external benchmarks or are based on forecasts that are inherently optimistic.
- Deficiencies and weaknesses in understanding of regulatory requirements, and risk comprehension by claims handling staff.
- Failure of large information technology and infrastructure projects to achieve specified goals.

Strategic risks are monitored on a continuous basis using a variety of qualitative and quantitative measures, including peer and third-party review where appropriate. The responsibility for strategic risk control and mitigation rests with the Executive Committee, which reports directly to the Board of Directors.

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Strategic risk - capital management

The Company attempts to identify and appropriately define all material risks internal and external to the Company, understand the manifestations of each risk, and ensure that risks are managed, controlled or mitigated. To the extent that a risk is not fully mitigated, the Company will measure the financial impact of the risk and include it in its capital adequacy assessment and measurement framework.

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business.
- to satisfy the requirements of its policyholders, regulators and rating agencies.
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- to allocate capital efficiently in order to support stability.
- to manage exposures in line with movements in exchange rates.

The Company has various sources of capital available to it and seeks to optimise its capital usage to consistently optimise shareholder returns. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance when assessing its capital deployment and associated usage. The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Company is regulated in the UK by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). As a regulated entity, it is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in excess of its insurance liability obligations in order to meet a certain solvency threshold. The Company manages capital in accordance with these rules and has embedded in its asset liability management framework the necessary tests to ensure continuous and full compliance with such regulations.

At 31 December 2024, under the estimated total capital available to meet the PRA's Solvency Capital Requirement (being the Own Funds) is $2,100,683 (2023: $1,912,275), with the Solvency Capital Requirement at $1,394,313 (2023: $1,238,167) and the estimated total capital required to meet the Minimum Capital Requirement at $350,928 (2023: $309,542).

The Company has complied with all externally imposed capital requirements throughout the year

Whilst the capital requirement is assessed according to the PRA's Solvency II Standard Formula, the Company also manages capital by reference to various self-assessed risk-based measures.

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Strategic risk - fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and the Company considers factors specific to the asset or liability.

Below is a summary of assets that are measured at fair value on a recurring basis:

	2024			
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed debt securities	965,492	1,701,536	—	2,667,028
Short term investments	—	27,029	—	27,029
Participations in investment pools	—	—	159,966	159,966
Cash at bank and in hand	118,563	—	—	118,563
	1,084,055	1,728,565	159,966	2,972,586

	2023			
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed debt securities	1,106,159	1,029,150	—	2,135,309
Short term investments	110,637	46,447	—	157,084
Participations in investment pools	—	—	97,523	97,523
Cash at bank and in hand	150,272	10,999	—	161,271
	1,367,068	1,086,596	97,523	2,551,187

No transfers were made from Levels 1 or 2 into Level 3, and vice versa, within the fair value hierarchy.

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Climate risk

The effects of climate change and global warming are increasingly apparent, as evidenced by increased heatwaves, erratic rainfall and greater weather extremes.

The risks to insurers associated with such changes are complex and need to be considered alongside other developing risk factors such as inflation and urbanisation, as well as the transition to a net zero pathway. The increasing loss to insurers from weather related events such as Californian wildfires, European floods, or the increased frequency and severity of hurricanes are becoming increasingly evident and means Convex needs to continually enhance its ability to assess this changing risk profile.

The Convex Group's strategic approach to mitigating and managing risks from climate change is fully documented in our Climatewise Report, which is published on the Convex website. We continue to develop our risk assessment and risk-mitigating initiatives across physical, transition and liability risks to better understand our material exposures and determine our long-term strategic approach to these risks.

Convex's Risk Register has been updated to include physical risk, transition risk and liability risks. The inclusion of climate risks within the risk register allows the risk team, and key stakeholders, to continually assess the risk and controls, and establish mitigating actions where necessary. Climate change risk has been incorporated into the Group Risk Management framework as a dedicated section, and will be further brought into the review of risk policies during their natural review cycle.

Convex has undertaken an assessment of the impact of the risks noted above to our books of business, including development of a framework to measure the degrees of exposure to specific lines of business. This process will help inform and drive management action such as further scenario analysis, deep dives into specific risk areas, and other business planning considerations.

Physical risk

Convex has previously conducted a deep dive assessment to determine how climate change is expected to influence Convex's risk from climate-related perils and other sources of physical risk over a shorter term time frame than is typically considered in climate studies. This project involved reviewing the latest scientific research on the impact of climate change on natural hazards. One of the insights from this project was a range of projections for the changes in the median frequency and intensity of natural hazards which were used to derive confidence intervals around the potential changes. These intervals gave a basis upon which to perform stress testing, as Convex can assume various extreme scenarios by taking the changes at the upper and lower bounds, and assessing the impact on the losses from natural perils.

The findings from this assessment have given Convex some comfort that the near term effect of climate change on hazard rates is not expected to cause a material impact to losses from natural catastrophe perils. The more significant insight from the hazard projections is the range of uncertainty around potential changes. Notably in the case of wind perils, frequency is increasing at the upper bound however at the lower bound frequency is decreasing. Therefore any assumption on changes in number of events and loss impact is highly uncertain.

The assessment also identified US Wildfire and both US and EU Flood as additional areas of focus for stress testing, as the losses from these hazards are highly dependent on the interaction with the built environment which can change dynamically and has significant local nuance which is not well captured by vendor models. Therefore, a more detailed understanding of downside exposure to these perils is a focus of continued analysis.

Convex is working with a leading consultant to develop a tool to allow more localised climate related stress testing, which draws on the findings of Project Berlin, an internal study into the near term impacts of climate on catastrophe underwriting. The will further enable stress testing of downside exposure referred to above.

We have also begun a project focused on examining climate related liability risk. The project reviews existing and current climate related litigation across different sectors and seeks to envisage how Convex's casualty lines could be impacted were this to continue to grow.

With regard to Convex's investment portfolio, we have undertaken climate-related scenario analysis on our fixed income portfolio using the PRA's General Insurance Stress Test ("GIST") 2019 scenarios, which have since been refreshed with further deterministic scenarios.

Convex's portfolio comprises of sovereign debt, high-grade corporate debt and a modest amount invested in investment funds. Transition risk exposures are considered to be limited. These results were confirmed by an original 2021 stress test exercise which was subsequently rerun with similar conclusions. Convex anticipates further refinement to the assessment of portfolio exposures through new tools and advisory services, aligned to the projected growth of the portfolio in the next few years and the potential for more diversification.

(Expressed in thousands of U.S. Dollars)

4. Risk Management (continued)

Climate risk *(continued)*

Investment portfolio

Convex's external asset managers provide quarterly reporting which includes an assessment and rating of our investment portfolio on carbon intensity and ESG metrics against a relevant benchmark. This allows the investment team to monitor how exposure to ESG and climate risks in the portfolio are evolving over time and enables us to engage in dialogue with our managers over particular issuers or sector concentrations which may detract from the overall sustainability of the portfolio. Convex considers its aggregate Climate Change risk and ESG exposure in the portfolio to be moderately low, manageable and in line with risk appetite.

In addition to ESG considerations in our broader investment portfolio, we have implemented our 'Impact Investing' strategy, targeting investment opportunities which contribute to specific environmental or social outcomes. As awareness and focus on the impact of investments has grown over time, and in line with the belief that as an asset owner Convex has an ability to direct capital to investments that contribute to specific environmental or social outcomes, a strategic framework is developed to enable the identification, screening, and allocation of impact investments.

Governance

Convex is aware that effective management of climate risk is critical to the long-term success of its business. Accordingly, primary responsibility for climate risk is vested in the Convex Group Board, which is responsible for directing the ESG strategy (including towards climate risk) across the Group. The Group strategy is further adopted by the Company's Board. Convex has an established ESG Committee led by the Head of Sustainability. This reviews and recommends priorities which are reported through the quarterly ESG Summary prepared by the Head of Sustainability. In addition, the Convex Group has also formed a Sustainable Underwriting Group to help inform our Net Zero underwriting strategy and to develop ESG-linked underwriting opportunities.

The Company's Board has engaged on climate risk and broader sustainability issues over the past few years in a variety of contexts. These include considering the adequacy of the identification and management of climate risk through the Own Risk and Solvency Assessment ("ORSA") and quarterly CRO reporting and monitoring progress of the ESG strategy and reviews priorities through the quarterly ESG Summary Report prepared by the Head of Sustainability.

Convex, as a member of Climatewise, reported against Climatewise Principles for the third year running in 2024, with the report published on the Convex website. This represents Convex's key climate related reporting, and aligned to the UK's climate and sustainability reporting framework.

Emerging risks

The Company has continued to monitor emerging and changing risks during 2024, with these risks reported and overseen by the the Risk Committee. The Risk Management team has introduced a new Emerging Risk Framework during 2024, which has been developed to effectively capture, prioritise, and track emerging risks. Some of the key risk themes that have been identified and assessed include geopolitical instability, volatile financial markets and climate change risk.

(Expressed in thousands of U.S. Dollars)

5. Segmental Information

Analyses by line of business	**2024**					
	Gross premiums written	**Gross premiums earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance**	**Balance on the techncial account**
Direct insurance:						
Marine, aviation and transport	406,358	358,219	(280,968)	(96,302)	(2,435)	(21,486)
Fire and other damage to property	826,607	704,824	(274,228)	(211,334)	(220,466)	(1,204)
Third party liability	521,029	450,067	(254,320)	(136,546)	(54,024)	5,177
Miscellaneous	106,046	89,772	(34,295)	(32,593)	(17,502)	5,382
	1,860,040	1,602,882	(843,811)	(476,775)	(294,427)	(12,131)
Reinsurance:	1,746,010	1,566,144	(897,853)	(399,143)	(159,945)	109,203
	3,606,050	3,169,026	(1,741,664)	(875,918)	(454,372)	97,072

	2023					
	Gross premiums written	**Gross premiums earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance**	**Balance on the techncial account**
Direct insurance:						
Marine, aviation and transport	321,260	290,874	(161,922)	(74,772)	(58,318)	(4,138)
Fire and other damage to property	641,325	525,514	(174,610)	(149,471)	(190,043)	11,390
Third party liability	406,731	339,269	(198,198)	(95,342)	(41,127)	4,602
Miscellaneous	99,687	75,641	(37,289)	(27,157)	(9,540)	1,655
	1,469,003	1,231,298	(572,019)	(346,742)	(299,028)	13,509
Reinsurance:	1,491,593	1,216,569	(610,508)	(323,725)	(224,083)	58,253
	2,960,596	2,447,867	(1,182,527)	(670,467)	(523,111)	71,762

(Expressed in thousands of U.S. Dollars)

6. Technical Provisions

	Provisions for unearned premiums	Claims outstanding (1)	Deferred acquisition costs (2)	Total technical liabilities
Gross of reinsurance				
At 1 January 2024	1,622,675	1,923,865	(320,429)	3,226,111
Movement in provision	437,024	967,988	(94,805)	1,310,207
Exchange adjustments	(20,730)	(25,865)	4,670	(41,925)
At 31 December 2024	**2,038,969**	**2,865,988**	**(410,564)**	**4,494,393**
Reinsurance				
At 1 January 2024	954,833	1,277,865	(143,720)	2,088,978
Movement in provision	243,633	660,616	(40,305)	863,944
Exchange adjustments	(9,393)	(17,840)	1,666	(25,567)
At 31 December 2024	**1,189,073**	**1,920,641**	**(182,359)**	**2,927,355**

	Provisions for unearned premiums	Claims outstanding	Deferred acquisition costs	Total technical liabilities
Gross of reinsurance				
At 1 January 2023	1,093,722	1,427,143	(196,441)	2,324,424
Movement in provision	512,729	484,747	(120,166)	877,310
Exchange adjustments	16,224	11,975	(3,822)	24,377
At 31 December 2023	**1,622,675**	**1,923,865**	**(320,429)**	**3,226,111**
Reinsurance				
At 1 January 2023	670,882	981,776	(98,175)	1,554,483
Movement in provision	277,551	296,595	(44,189)	529,957
Exchange adjustments	6,400	(506)	(1,356)	4,538
At 31 December 2023	**954,833**	**1,277,865**	**(143,720)**	**2,088,978**
Net				
At 31 December 2023	667,842	646,000	(176,709)	1,137,133
At 31 December 2024	849,896	945,347	(228,205)	1,567,038

(1) Claims outstanding includes claims incurred but not reported (IBNR) reserves of $2,096,263 gross of reinsurance and $1,428,631 reinsurer's share of IBNR reserves (2023: $1,367,338 gross; $921,805 reinsurer's share).

(2) Reinsurer's share of deferred acquisition costs is included in accruals and deferred income (see Note 21).

(Expressed in thousands of U.S. Dollars)

7. Net Operating Expenses

	2024	2023
Net operating expenses comprise:		
Acquisition costs	695,048	566,957
Change in deferred acquisition costs	(94,805)	(120,166)
Administrative expenses	268,283	221,405
Reinsurers' share of acquisition costs	(348,335)	(271,392)
Change in deferred reinsurance commissions	40,305	44,189
Realised foreign exchange (gain/)/loss	(945)	10,173
Unrealised foreign exchange loss/(gain)	8,337	(7,902)
	567,888	443,264

8. Auditors' Remuneration

During the year, the Company obtained the following services from its auditors:

	2024	2023
Fees payable to the Company's auditors for the audit of the Company's financial statements	946	761
Additional fees related to the prior year audit of the Company's financial statements	30	88
Fees payable to the Company's auditors for audit-related assurance services	254	221
Total fees payable to the Company's auditors	1,230	1,070

Audit-related assurance fees comprise of services in relation to regulatory returns of the Company's that require external auditor attestations.

9. Employees and Directors

Employees

The Company has no employees and receives services from individuals employed by a fellow subsidiary within the wider Convex Group, Convex UK Services Limited. Further details on those employees can be found in the financial statements of Convex UK Services Limited, copies of which may be obtained from its registered office: 52 Lime Street, London, EC3M 7AF.

Included within operational expenses are amounts for $249,972 (2023: $202,067) in relation to expense recharges from Convex UK Services Limited for services performed on behalf of the Company.

Directors

Executive Directors of the Company are employed by Convex UK Services Limited. Non-Executive Directors are remunerated by CSL. The Company has been recharged $3,086 for their services during the year (2023: $2,243) of which $14 (2023: $9) was in relation to contributions to the defined contribution pension scheme. The remuneration charge for the highest paid Director as recharged to the Company was $1,040 (2023: $844) with $7 contribution to the defined contribution pension scheme (2023: $4).

Key management personnel compensation

Key management personnel includes Executive Directors and members of the Convex Group senior management team. The total paid to key management personnel by the Convex Group for employee services is shown below:

	2024	2023
Salaries and other short-term benefits	8,007	7,125
Post-employment benefits	249	207
	8,256	7,332

(Expressed in thousands of U.S. Dollars)

10. Investment Return

	2024	2023
Income from debt securities	117,717	74,897
Income from participations in investment pools	2,360	437
Income from deposits with credit institutions and cash at bank and in hand	5,414	2,748
Realised losses on investments	(2,859)	(9,397)
Investment income	122,632	68,685
Unrealised gains on investments	18,941	48,635
Investment expenses	(2,714)	(2,777)
Net investment return	138,859	114,543

11. Corporation Tax

Tax on profit

	2024	2023
United Kingdom Corporation Tax at 25% (2023: 23.5%)		
Current tax on income for the year	(52,206)	(20,115)
Adjustments in respect of previous financial years	1,997	(170)
Total UK current tax	(50,209)	(20,285)
Foreign corporation tax		
Current year	(3,365)	(2,948)
Adjustments in respect of previous financial years	314	(15)
Total foreign tax	(3,051)	(2,963)
Total current tax charge	(53,260)	(23,248)

(Expressed in thousands of U.S. Dollars)

11. Corporation Tax (continued)

Tax on profit

	2024	2023
United Kingdom deferred tax movements		
Origination and reversal of timing differences	(3,715)	5,857
Adjustments in respect of previous financial years	(578)	—
Rate changes	—	(1,210)
Total deferred tax (charge)/credit	(4,293)	4,647
Foreign deferred tax		
Origination and reversal of timing differences	—	1,739
Adjustments in respect of previous financial years	(1,759)	21
Total foreign deferred tax (charge)/credit	(1,759)	1,760
Total deferred tax (charge)/credit	(6,052)	6,407
Tax on profit	**(59,312)**	**(16,841)**

Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is different than that result in applying the standard rate of corporation tax in the UK of 25% (2023: 23.5%). The differences are reconciled below:

	2024	2023
Profit/(loss) on ordinary activities before tax	235,931	186,305
Profit/(loss) on ordinary activities before tax multiplied by the standard rate of corporation tax in the United Kingdom at 25% (2023: 23.5%)	(58,983)	(43,782)
Factors affecting the change:		
Rate change adjustments	—	(1,210)
Adjustments in respect of previous financial years	(26)	(164)
Deferred tax recognised	—	29,186
Permanent differences	(303)	18
Foreign tax	3,365	(1,209)
Double tax relief	(3,365)	320
Total factors affecting change	(329)	26,941
Tax on profit	**(59,312)**	**(16,841)**

(Expressed in thousands of U.S. Dollars)

11. Corporation Tax (continued)

Factors that may affect future tax charges

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. UK deferred tax has been calculated at 25% and US deferred tax at 21% from 31 December 2023 onwards.

The deferred tax included in the statement of financial position is as follows:

	2024	2023
Losses	—	4,648
Foreign tax assets	355	1,759
Deferred tax asset	355	6,407

An analysis of the movement in deferred tax asset/(liability) is as follows:

	2024	2023
At 1 January	6,407	—
Current year movement	(3,715)	7,596
Adjustments in respect of previous financial years	(2,337)	21
Rate change	—	(1,210)
At 31 December	355	6,407

A deferred tax asset is only recognised in respect of carried forward losses to the extent that it is considered probable that future profits will arise against which the carried forward losses can be offset. On the basis there was no longer a significant degree of uncertainty as to whether such future profits will arise in the Company, the full deferred tax asset was recognised in respect of the carried forward losses as at 31 December 2023. These carried forward losses were fully utilised in 2024. The unrecognised deferred tax asset at 31 December 2024 is nil (2023: $nil).

UK legislation has been enacted that introduces the Organisation for Economic Co-operation and Development ("OECD") Pillar Two Model Rules into UK law. These rules were designed to ensure large multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction in which they operate. Although this legislation was substantively enacted in 2023, it was not in effect and therefore no current tax impacts were recognised for the year ended 31 December 2023. For the year ended 31 December 2024 the legislation is in effect and the Company is within the scope of the UK domestic top-up tax rules and is the responsible member for its overseas subsidiaries and permanent establishments under the UK's multinational top-up tax rules. However, no additional current tax has been recognised in the 31 December 2024 numbers as the impact of applying these rules has been calculated to be nil.

In accordance with the requirements of FRS 102, Pillar Two impacts have not been considered in the recognition or measurement of deferred tax.

12. Other Financial Investments

The company has the following financial instruments:

	Fair Value		Cost	
	2024	2023	2024	2023
Debt securities	2,667,028	2,135,309	2,659,861	2,127,672
Short term investments	27,029	157,084	25,006	154,929
Participations in investment pools	159,966	97,523	146,269	92,146
	2,854,023	2,389,916	2,831,136	2,374,747

(Expressed in thousands of U.S. Dollars with the exception of the nominal value of shares which are expressed in U.S. Dollars)

13. Debtors Arising out of Insurance Operations

	2024	2023
Debtors arising out of direct insurance operations	1,718,482	1,343,710
Debtors arising out of reinsurance operations	201,255	170,205
	1,919,737	1,513,915

	2024	2023
Amounts falling due within one year	1,266,884	1,237,811
Amounts falling due after one year	652,853	276,104
	1,919,737	1,513,915

14. Creditors Arising out of Insurance Operations

	2024	2023
Creditors arising out of direct insurance operations	31,790	16,618
Creditors arising out of reinsurance operations	1,445,732	1,204,256
	1,477,522	1,220,874

	2024	2023
Amounts falling due within one year	1,477,522	1,220,874
Amounts falling due after one year	—	—
	1,477,522	1,220,874

15. Amounts due from Other Group Companies

	2024	2023
Amounts owed by group undertakings	313	5,788

16. Other Debtors Including Taxation and Social Security

	2024	2023
Other debtors	32,047	16,121
Other taxation and social security	3,467	3,241
	35,514	19,362

17. Called up Share Capital

	2024	2023
Allotted, called up and fully paid		
7,811,048,000 (2023: 7,811,048,000) ordinary shares of $0.05 each	390,552	390,552

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is 52 Lime Street, London, United Kingdom, EC3M 7AF.

(Expressed in thousands of U.S. Dollars)

18. Investment in Subsidiaries

The Company has two wholly owned subsidiaries, Convex Europe S.A. ("CES") and Convex North America Insurance Services LLC ("CUS"). The following table shows the carrying value and the additional capital contributions made during the year:

Investments	**CES**	**CUS**	**Total**
2024			
At 1 January 2024	93,585	29,834	123,419
Additions	—	10,000	10,000
At 31 December 2024	93,585	39,834	133,419
2023			
At 1 January 2023	90,835	10,000	100,835
Additions	2,750	19,834	22,584
At 31 December 2023	93,585	29,834	123,419

The above investments were subject to a review for any indicators of impairment at 31 December 2024 in line with FRS 102. No such indicators were noted and, as a result, no impairment to the carrying value has been booked in the period.

19. Amounts Owed to Group Companies

	2024	**2023**
Due to the Company's parent	412	538
Due to other Convex Group companies	50,081	50,384
	50,493	50,922

The amounts due to the parent company and fellow group companies are non-interest bearing and all due within one year.

20. Other Creditors Including Taxation and Social Security

	2024	**2023**
Amounts falling due within one year		
Other creditors	—	4,952
Taxation and social security	18,138	23,517
	18,138	28,469

21. Accruals and Deferred Income

	2024	**2023**
Unearned reinsurance commission	182,360	143,720
Accruals	1,881	3,065
	184,241	146,785

(Expressed in thousands of U.S. Dollars)

22. Guarantees, Financial Commitments and Contingent Liabilities

Pledged investments

The Company holds restricted assets comprising cash at bank and in hand, short-term investments and debt securities that are pledged and held in trust during the normal course of business with various regulatory authorities. At the year end the Company held $135,926 (2023: $86,994) in NAIC Trust, $65,276 (2023: $nil) to provide collateral for the benefit of reinsurance clients and $324,830 (2023: $392,837) to provide collateral or guarantees for letters of credit to third parties.

23. Credit Facilities

An Uncommitted Standby Letter of Credit Facility with Citibank Europe plc was entered into on 12 February 2020, under which Citibank made available a letter of credit facility in the amount of $200,000. The facility was renewed on 25 November 2021. The renewal was amended to increase the facility to $300,000 and to be shared with the Company's immediate parent Convex Re Limited ("CRL"). The agreement provides for a secured, uncommitted facility under which letters of credit may be issued from time to time. The facility will be used to secure obligations of the Company to its policyholders. Pursuant to the agreement, the applicants may request secured letter of credit issuances. The agreement contains representations, warranties and covenants that are customary for facilities of this type. Under the agreement, each applicant is required to pledge eligible collateral having a value sufficient to cover all of its obligations under the agreement with respect to secured letters of credit issued for its account. As at 31 December 2024, there were $137,657 (2023: $131,443) of secured letters of credit outstanding under this agreement, secured by collateral in the amount of $178,686 (2023: $178,720).

On 10 November 2021 a Standby Letter of Credit Facility Agreement with Lloyds Bank plc ("Lloyds") was established in the amount of $100,000. The letter of credit facility is secured and supports the insurance and reinsurance obligations. On 22 November 2021 the facility was amended to increase the overall commitments to $150,000. On 23 November 2022, the facility was updated including the addition of a $100,000 unsecured accordion clause. On 24 January 2023, the facility was increased to include a $50,000 unsecured tranche. On 31 October 2023, the facility was extended for one additional year set to expire on 10 November 2024. On 3 December 2024 the facility was renewed for 2 additional years in the amount of $300,000 (shared with CRL), to expire on 30 November 2026, with the potential to extend to 30 November 2027. The letter of credit facility includes a $200,000 secured tranche and $100,000 unsecured tranche. As at 31 December 2024, there were letters of credit outstanding under this facility of $113,155 (2023: $138,150), secured by collateral in the amount of $117,470 (2023: $175,762).

On 23 December 2022, a Standby Letter of Credit Facility Agreement with Barclays Bank plc ("Barclays") was established in the amount of $100,000, plus a $100,000 accordion clause. The letter of credit facility supports the Company's insurance and reinsurance obligations. The facility was renewed on 6 December 2024 for 2 additional years set to expire on 31 December, 2026 with the potential to extend for one further year. The facility was amended to increase the overall commitments to $150,000 to include a $100,000 secured tranche and a $50,000 unsecured tranche (shared with CRL). As at 31 December 2024, there were letters of credit outstanding under this facility totalling $36,446 (2023: $44,559), of which $26,304 were issued under the secured tranche secured by collateral in the amount of $28,674 (2023: $38,355).

On 23 December 2024, a new Standby Letter of Credit Facility Agreement with ING Bank ("ING") was established in the amount of $150,000. The letter of credit facility is $150,000 unsecured (shared with CRL) and supports the Company's insurance and reinsurance obligations. The facility is set to expire on 30 December 2026 with the potential to extend by one more year. As at 31 December 2024, there were letters of credit outstanding under this facility totalling $1,812.

24. Immediate and Ultimate Parent Undertakings

The Company's immediate parent undertaking is Convex Re Limited and its ultimate parent undertaking is Convex Group Limited. The smallest and largest groups into which the Company's results are included are the Convex Re Limited and Convex Group Limited, respectively.

Copies of both Convex Re Limited's and Convex Group Limited's consolidated financial statements can be obtained from Point House (6th Floor), 6 Front Street, Hamilton HM11, Bermuda.

25. Events after the Reporting Year

There were no events occurring between the end of the reporting period and the date the financial statements were authorised for issue that had a material impact on the financial results of the Company for the year ending 31 December 2024 or the financial position of the Company on that date.

Convex Group Limited
Point House, 6th Floor, 6 Front Street,
Hamilton HM 11, Bermuda

Convex Re Limited
Point House, 6th Floor, 6 Front Street,
Hamilton HM 11, Bermuda

Convex Insurance UK Limited
52 Lime Street, London, EC3M 7AF

Convex Europe S.A.
37 Boulevard Joseph II, 2ème étage,
L-1840 Luxembourg, Grand-Duchy of Luxembourg

Convex Europe S.A. UK Branch
52 Lime Street, London, EC3M 7AF

Convex Guernsey Limited
Bucktrout House, Glategny Esplanade, St Peter port,
Guernsey, GYI IWR

Convex North America Insurance Services LLC
47 Hulfish Street, Suite 310, Princeton, NJ 08542,USA

convexin.com