CNA / HARDY

CNA Insurance Company Limited

2024 Annual Report and Financial Statements

Registered in England and Wales: number 950

Contents

Strategic report

Introduction

The directors of CNA Insurance Company Limited (“the Company” or “CICL”) present their strategic report for the year ended 31 December 2024. This report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013.

CICL is a commercial insurer offering a range of specialist products to targeted industry segments. The Company is headquartered in London and underwrites business throughout the United Kingdom (“UK”) and the rest of the world outside of the European Union (“EU”). Direct and facultative commercial insurance products are underwritten, which are predominantly placed through brokers.

CICL's immediate parent undertaking is CNA Europe Holdings Ltd ("CNAE") which is wholly owned by Continental Casualty Company ("CCC") and The Continental Insurance Company (“CIC”). CCC and CIC are a part of CNA Financial Corporation ("CNAF") which, in turn, is controlled by Loews Corporation. References to "CNA" in this report are to CNAF and its group undertakings including CCC and CIC.

The Company shares its operating and management structure with two other group companies, Hardy (Underwriting Agencies) Limited (“Hardy”) and CNA Insurance Company (Europe) S.A. (“CICE”). All three companies operate under a combined operating model with management and administrative services being provided by a related service company, CNA Services (UK) Limited (“CNA Services”), an indirect subsidiary of CNAF. The Company pays CNA Services a management fee for the provision of staff and administration services. Hardy is part of the CNAF group and CICE is 100% owned by CICL.

CNA is the one of the largest commercial property and casualty insurance companies in the United States of America (“US”). As of 31 December 2024, it has approximately 6,500 employees and its insurance products include commercial property and casualty coverages, including surety. CNA's products and services are primarily marketed through independent agents, brokers and managing general underwriters to a wide variety of customers, including small, medium and large businesses, insurance companies, associations, professionals and other groups.

Overview of results

The Company reported a profit of £45.5 million in 2024, compared to a profit of £45.8 million in 2023. The calendar year combined ratio was 91.4% (2023: 98.2%). The profit was driven by an underwriting profit of £22.0 million (2023: £4.2 million) and investment returns of £28.3 million (2023: returns of £49.8 million).

Gross written premiums increased from £309.7 million in 2023 to £313.9 million in the current year with growth broadly flat across most business lines.

Unfavourable prior year loss development of £0.8 million was recorded in 2024 compared to unfavourable development of £14.5 million in the prior calendar year. In the current calendar year the unfavourable loss development was driven primarily by higher emergence of claims from certain lines of business than previously anticipated.

The expense ratio for the year of 30.5% is relatively stable compared to the prior year of 30.1%.

The Company recorded other income of £2.6 million in 2024 compared to other charges of £0.8 million in the previous financial year. Included in other income are foreign exchange gains of £2.0 million (2023: losses of £2.0 million) driven by the revaluing foreign currency assets and liabilities. Overall, the Company aims to broadly match assets and liabilities in the same currencies in order to mitigate the risk of foreign exchange rate volatility.

Key performance indicators

The Company uses a range of key performance indicators ("KPIs") to determine how well it is performing against its objectives and overall strategy.

The following KPIs have been deemed most relevant to demonstrating the Company's performance in 2024 and its financial position at the end of the year. The loss ratio is derived by taking claims incurred, net of reinsurance over earned premiums, net of reinsurance. The expense ratio references net operating expenses as a percentage over earned premiums, net of reinsurance.

	2024 £m	2023 £m
Gross premiums written	**313.9**	309.7
Profit on ordinary activities before tax	**52.8**	53.2
Profit for the financial year	**45.5**	45.8
Loss ratio	**60.9%**	68.2%
Expense ratio	**30.5%**	30.1%
Combined ratio	**91.4%**	98.2%
Capital and reserves	**590.6**	547.1

Financial position

Overview of financial position

The Company's accounted capital base as at 31 December 2024 was £590.6 million (2023: £547.1 million), of which £37,300 is ineligible to meet regulatory requirements as this amount has been deposited with Lloyd's of London ("Lloyd's") as security for the underwriting activities of Hardy Underwriting Limited ("HUL"), a CNAF group company (see Note 22).

The Company did not pay or recommend a dividend during the financial year. There were no changes in the Company's ownership or capital structure during the year.

Investments

The Company benefited from positive operating cash flows and, to the extent possible, these are re-invested in the Company's investment portfolio. The Company has processes to monitor operating cash flows, which ensure that investment returns are maximised, whilst maintaining adequate cash resources to meet operating expenses and claims.

The duration and currency profile of the investment portfolio is managed to broadly match that of the Company's underlying liabilities. CICL continues to invest predominantly in high grade corporate and government bonds in accordance with its stated investment strategy and in conjunction with its external investment manager Goldman Sachs Asset Management International ("GSAM").

Deed of guarantee and ratings

CICL benefits from a Deed of Guarantee from CCC, first effective on 24 January 2002 ("effective date"). Under the terms of the deed, CCC guarantees all liabilities that arise or have arisen under policies of insurance or contracts of reinsurance entered into by CICL, including policies or contracts entered into before the effective date. The Deed of Guarantee enables CICL to maintain a Standard & Poor's ("S&P") rating at the same level as the rating assigned to CCC and provides significant additional security to policyholders. The Deed of Guarantee has been in place since the effective date and will remain in place until 31 December 2025. As at 31 December 2024, CCC's S&P financial strength rating was A+ with a stable outlook. Further details are provided in Note 23 to these financial statements. A similar deed of guarantee is also in place for the Company's subsidiary CICE.

Financial position - continued

Capital and Solvency II

The Company manages its capital position in accordance with the requirements of the Solvency II regime and determines its capital requirement using the Standard Formula as the basis of calculation. As at 31 December 2024, the Company's admissible capital was in excess of the Solvency II Standard Formula requirement. Refer to Note 3 for more detail.

Business operations

The Company operates through branch offices that have been established in the UK regions as well as from its head office in London.

CICL interacts with other entities within the CNA group, both in Europe and in the United States, to develop its business and service its multi-national customers. As a result of these activities and its branch network, the Company is well placed to enhance and grow its business.

Underwriting staff, management and certain support functions are located in branch offices and in the head office in London. Additional support services are provided from offices in the UK regions.

Corporate governance

Ultimate responsibility for the Company's affairs rests with the Board of directors. The Board is responsible for approving the Company's business plan and its strategies with regard to risk management. The Board provides leadership based on a framework of controls and risk management disciplines and sets the Company's risk appetite. The Board also seeks to ensure compliance with all relevant internal and external regulations governing CICL's activities. The Board meets quarterly and consists of executive directors, CNA non-executive directors and independent non-executive directors including an independent Chair. The Company continuously engages with CNA as its shareholder through Board and executive management meetings.

The Board operates with three principal committees: an Audit Committee, a Risk Committee and an Underwriting Committee. Each committee has clear terms of reference for the matters for which it is responsible and reports to the Board. The Board, Audit Committee and Risk Committee are chaired by an independent non-executive director. The Underwriting Committee is chaired by the Chief Executive Officer. The corporate governance framework is reviewed and approved by the Board at least annually to ensure its continued effectiveness.

The Board ensures decision making is sufficiently informed through the Committee structure and regular Board meetings with comprehensive information presented by management.

CICL is authorised and regulated by the PRA and regulated by the Financial Conduct Authority ("FCA").

Future developments

The Company aims to provide differentiated products to meet the needs of its targeted customer segments through its distribution channels. Focus is being given to developing the business across its existing products and geographies.

Streamlined energy and carbon reporting

In 2024, the Company's UK Greenhouse gas ("GHG") emissions were 188 tonnes of CO2e ("tCO2e") with 198,507 kWh of total energy consumed (2023: 196,822 kWh), which equates to 1,295 kWh per employee (2023: 1,390 kWh), based on the average number of CNA Services employees in 2024. The Company calculates GHG emissions using the Department for Business and Trade conversion factors where possible. Scope 1 emissions relate to the use of company owned vehicles. Emissions associated with energy usage from offices are reported as Scope 2. Scope 3 sources include business travel by air, rail or mileage claims from employee owned vehicles, water usage and waste removal. Data have been collated from a number of sources. Scope 1 and 3 emissions data have been sourced from our booking agent partner and expense claims in our accounting system. Scope 2 emissions have been sourced from utility bills and lease agreements.

	2024 tCO^2e	2023 tCO^2e
Scope 1 emissions	**1**	1
Scope 2 emissions	**40**	39
Scope 3 emissions	**147**	204
Total emissions	**188**	244
tCO^2e per employee	**1.2**	1.7

The company has benefited from a building wide improved energy-controlled program by its supplier resulting in reduced office gas consumptions at our London head office premises at 20 Fenchurch Street.

Climate change

Governance

The Company's Board of Directors ("the Board") is responsible for understanding and assessing the financial risks from climate change that affect the firm. The Board manages these risks through governance and review of the Company's activities led by the Risk Committee. The Risk Committee is in turn supported by an Environmental, Social and Governance ("ESG") Steering Committee which includes representatives from the senior leadership team.

Risk management

The Board considers climate risks inherently embedded within all risks managed by the Company, even if not listed explicitly in each risk category in this report. Climate risks are identified and assessed through the Company's Own Risk and Solvency Assessment ("ORSA") which is integrated into the Company's overall risk management framework. Through the ORSA the Company considers the physical, liability and transition risks of climate change and considers scenario analysis based on the PRA's Climate Biennial Exploratory Scenario. In addition, the entity explicitly considers climate change within its Internal Capital Model.

Underwriting

The most significant exposure to climate-related financial risk is within the underwriting portfolio. In response to the increased loss potential arising from climate events, natural catastrophe risk exposure is carefully managed through portfolio management actions and the purchase of reinsurance protection. The Company has also continued to develop its climate risk appetite and has implemented several actions aimed at managing the risk of climate change whilst continuing to support the needs of its policyholders as they carry out climate transition activities.

Climate change - continued

Investment Management

The Company has in place all of the components required to deliver on responsible investment strategies, including appetite, investment expertise, stewardship, ESG integration and reporting. The Company monitors the investment portfolio in the context of MSCI ESG ratings and it disposes of assets that are contrary to its sustainability strategy.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a Director of a Company to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to:

- the likely consequences of any decision 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 the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Company's long term strategy is to build sustainable long-term profitability in its chosen markets and segments. The Board of directors operate the Company in accordance with its long term plan, which takes into account economic, market, and regulatory factors and the long term consequences of significant strategic and operational decisions made by the Company. The Company's long term plan is set out in conjunction with its Own Risk and Solvency Assessment ("ORSA") which is discussed in more detail in Note 3 to the Company's accounts.

The Board recognises that the long-term success of the business is dependent on maintaining a reputation for, and upholding, high standards of business conduct whilst considering the interests of its key stakeholders in the Company's wider decision making process The directors consider maintaining a reputation for, and upholding, high standards of business conduct is Key stakeholders identified by the Company include its customers, employees, suppliers, brokers and other intermediaries, regulators, shareholders, the community, and the environment. The Board has set out how they have engaged with each of the Company's key stakeholders below:

Customers

The Board, together with the Consumer Duty ("the Duty") Steering Committee supported the implementation of the Consumer Duty rules ahead of the 31 July 2023 implementation deadline. The rules require CNA Hardy products and services to deliver good outcomes for UK Retail customers (including Micro Enterprise and SME customers); ensure that the Duty is at the heart of CNA Hardy's UK business model and strategy; to monitor; identify; and mitigate conduct risk appetite in line with CNA Hardy's Customer Conduct Policy and operational control framework. A quarterly Consumer Duty report is submitted to the CNA Hardy UK Board to ensure that the UK Board has adequate oversight of the firm's commitment to the Duty. During the year, CNA Hardy was recognised as the Commercial Lines Insurer of the Year at the National Insurance Awards. The Commercial Lines Insurer of the Year award is a significant achievement and a reflection of our commitment to delivering outstanding service and results.

Employees

CNA leaders engage regularly with our employees on their performance and professional development. We gather employee feedback through pulse surveys and routine dialogue with our employee resource groups and leaders from across the enterprise. Our annual talent and succession planning process culminates in a review with leadership of key talent retention and promotion, as well as a review of our succession plans. Our performance management cycle seeks to ensure that employees have goals and development plans refreshed regularly and performance review conversations are held between managers and their direct reports throughout the annual performance period.

Section 172(1) statement – continued

Employees - continued

We believe that employing individuals with different backgrounds and experiences helps meet the diverse needs of our stakeholders. To this effect, the company has put in place a diversity, equity and inclusion ("DEI") framework that includes company-wide DEI initiatives, such as the Allies for Change program that delivers allyship education to all leaders and employees across the globe and all-employee sessions designed to fuel courageous conversations.

The DEI framework is led by the DEI Council, a US board appointed committee chaired by the CNA global CEO, and heavily influenced by the Employee Resource Groups (see below). In addition to the

DEI Council run out of the CNA home office in the US, there is also a separate DEI Committee specifically for UK and Continental Europe activities. Our programme of inclusion is further advanced by mentoring and reverse mentoring programs, Talent Sponsorship program, volunteer opportunities, and inclusive leadership training; by providing employees with resources to institutionalise allyship at CNA and beyond.

Our staff are regularly informed of developments with regards to our People strategy through Board sanctioned staff briefings, email communications, and through the CNA intranet site. To enhance our competitive position in the global marketplace and represent the clients we serve, the Company is committed to attracting, developing, and retaining a diverse workforce and creating a culture of inclusion and belonging. We accomplish this by empowering our management to lead a diverse workforce, enhancing the education and awareness of our employees, and building an inclusive, respectful, and productive workplace.

Talent Management

We focus on attracting, developing, and retaining top-tier talent to reflect the specialist nature of our business. We aim to continually build on the expertise of our workforce. At entry levels, we have implemented trainee and internship programs, and we continue to leverage relationships with colleges to attract new and diverse talent. We seek to promote the development of employees, both to optimize current performance and to develop skills for future career growth. We have implemented programs designed for our employees to grow their technical expertise, collaborate with one another, and achieve their career goals. We offer a wide range of learning and development opportunities, including mentorship and reverse mentorship programs, apprenticeship and sponsorship programs, tuition reimbursement, technical training, and specialized leadership development programs.

Diversity, equity, and inclusion

Diversity and inclusion at CNA Hardy is driven by the Diversity Equity and Inclusion Council ("DEI Council"), an UK and Europe wide group that includes cross functional representation from all geographies. The DE&I council has set up several Employee Resource Groups ("ERGs"), open to all employees, which enable employee-lead inclusion initiatives as the business works towards a diverse, equitable and inclusive culture. During 2024, the ERGs ran virtual sessions to engage with employees to support and raise DE&I awareness.

In addition, CNA Hardy are sponsors of The Insurance Cultural Awareness Network ("iCAN"). iCAN is a volunteer-run network that supports multicultural inclusion across the insurance sector.

Disability

We take disability inclusion seriously and our disability and inclusion policies and programs are one of the best in the market. This is demonstrated by the fact that CNA, our global parent company, was named within the Disability Equity Index, an honour which recognizes CNA as one of the Best Places to Work for Disability Inclusion.

Our policies and programs are designed to ensure no job applicant suffers discrimination because of their disability and that all employees have equal access to training, development and promotion opportunities.

During 2024, we held various company-wide virtual education sessions in celebrating our global parent's national disability employment awareness month.

Section 172(1) statement – continued

Employee Engagement

We have a two-way communication process between employees and their line managers, and employee engagement strategies are in place for the UK and Continental Europe, led by HR and senior management. We further aim to remove reduce barriers across grades to ensure a more collaborative and inclusive environment. Senior management regularly engage with their respective functions and CNA holds quarterly townhalls, where employee engagement is encouraged.

Brokers and intermediaries

The Company regularly engages, listens to and understands each broker, to carefully map our people and products in delivering profitable growth in accordance with our business plan. Our partnership programs build long term resilient relationships through dedicated broker relationship managers, who deliver strong service support and deep knowledge, and expertise to front-line trading teams. Our focus is to achieve excellence in our chosen industry segments, as a specialist insurer – a message reinforced by senior management and the Board.

Regulators

CNA Hardy maintains an open and transparent relationship with its regulators. The Board and senior leadership are fully engaged with the regulatory agenda, requirements and expectations set out by regulators which are delivered through CNA Hardy's governance framework and policies. This is supported by the Regulatory Affairs function, whose role is to manage and co-ordinate regulatory relations, ensure regulatory requests and reporting are responded to as well as identify, mitigate and prevent emerging and existing regulatory risks across CNA Hardy. There has been close engagement with all regulators over the last year on a range of matters.

Shareholder

We have open dialogue with our shareholder, our parent company in the US, and frequently engage on many aspects of our business, including business planning, strategy, finance, tax, treasury, and our wider insurance and reinsurance programs. Our parent company is represented on the Company's Board, and we maintain open information flows throughout our executive decision-making process.

Suppliers

The Company's procurement process is closely aligned with the CNAF procurement framework. The CNAF procurement team provides services for selecting suppliers that drive value through contracting and risk mitigation, while leveraging technology to streamline invoice processes.

The CNAF Procurement team applies appropriate risk and assurance techniques to assess third party risk and provide assurance that suppliers meet CNA standards.

During the year, the Company has continued to enhance its procurement process, through the use of technology tools, to further integrate its procurement process with the global procurement strategy.

Community and environment

At CNA, our colleagues are working together to help build resilient communities through community involvement by participating in many Corporate Social Responsibility (CSR) sponsored volunteer events, but also volunteering on their own. Employees have paid leave days specifically assigned for performing volunteering work at recognised charities.

Details regarding how the Board has considered the environment are included in the climate change section of this strategic report.

Principal risks and uncertainties

The Company's appetite for accepting and managing risk is defined by the Board.

The Chief Actuary and Risk Officer is responsible for ensuring effective risk management across CNA Hardy by providing overall leadership, vision and direction for enterprise risk management across the Company.

The Risk Management Framework ("RMF") is designed to provide a consistent approach to the management of risks, ensuring an agreed and widely understood approach and language (taxonomy) is used in the identification, assessment, management, monitoring and reporting of all risks faced by the Company. Qualitative and quantitative risk assessments are performed to produce a comprehensive picture of risks and exception reporting ensures that significant risks are monitored at the appropriate levels.

Set out below are the principal risks and uncertainties to which the Company is exposed. Further information on how the Company manages risk, including group risk, is disclosed in Note 3 to these financial statements.

Strategic risk

Strategic risk is the potential impact on earnings or capital from an incorrect strategy being set, improper business decisions, failure to execute plans or strategic ambitions, lack of responsiveness to industry changes and ill-disciplined growth in a soft market.

In addition, the Company considers any form of risk that could affect multiple areas of the business simultaneously to be a strategic combination risk. Annual business plans are agreed by senior management and tracked against actual performance throughout the year.

Insurance risk

Insurance risk is the risk associated directly with the Company's underwriting activities. This includes the risk associated with inaccurate or inadequate pricing of insurance policies, inappropriate or poorly controlled underwriting guidelines and authority limits, unexpectedly high frequency, or severity of claims experience, and inadequate or inaccurate loss reserving.

To mitigate these risks, the Company has controls and governance processes in place designed to closely monitor its underwriting activities. These include, but are not limited to, the oversight of the Underwriting Committee, operation of the underlying working groups, the issuance of underwriting authority limits and guidelines, the extensive use of technical pricing models, and regular underwriting audits.

Financial risk – Credit, Market and Liquidity

Financial risk includes the risks associated with investment activities, credit, liquidity and foreign currency exchange. Investment risk includes the impact of market volatility on asset values associated with interest rate volatility. Other notable exposures are bond default risk (the risk that an issuer of a bond may be unable to make timely principal and interest payments) and reinsurer default risk (the risk that the Company's reinsurers would be unable or unwilling to pay their share of reinsurer liabilities).

The Company manages investment risk through an Investment Group, responsible for establishing and maintaining an investment policy in line with the risk appetite of the Company. In addition, the group is responsible for the management of all investment asset risks, the selection of its investment manager and reviewing investment performance.

Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or from external events. Risks include those from information security (including cyber) and technology related activities, legal and regulatory, financial reporting and financial crime as well as those from operations, outsourcing and change. The Company has in place business processes (including business continuity, IT disaster recovery plan and resilience plans) and relevant internal controls to substantially mitigate operational risk.

Principal risks and uncertainties - continued

Emerging risks

Emerging risks are newly developing or changing risks which are difficult to quantify, that could impact the Company's ability to achieve its strategic objectives. Proactively researching and discussing these risks allows the Company to reduce its exposure to these risks, develop strategies to protect the business and leverage these risks into commercial opportunities. A framework is in place to identify, assess, mitigate, and monitor emerging risks via a working group of stakeholders across Risk, Claims, Risk Control, Exposure & Catastrophe Management and Underwriting.

Emerging risks are assessed on their velocity and potential impact on the Company's strategy, focusing on potential mitigation actions and recorded in an Emerging Risk Register categorised using the Political, Economic, Social, Technological, Legal and Environmental ("PESTLE") framework. Emerging risks are regularly monitored as part of the quarterly review of all risks faced by the Company. In addition, the Risk Function performs an annual deep dive of emerging risks aimed to identify and assess emerging risks / trends based on their relevance and potential impact on the Company. The Risk Function reviews industry reports to identify emerging trends in the market. These insights are then supplemented with input from business stakeholders through a series of workshops. Following the annual review, any agreed mitigating actions are monitored to completion. In certain circumstances, scenario testing of selected emerging risks may be performed as part of the ORSA process.

The Risk Committee receives regular updates on material changes and mitigating actions in respect of these identified emerging risks and the ESG Steering Committee regularly reports to the Risk Committee on climate change matters.

Post balance sheet event

There have been no subsequent events after the Statement of Financial Position date.

Going concern

CICL's capital base is reflective of a stable financial position. The Company has risk management disciplines across its operations. In particular, the potential impacts of external conditions are continually assessed and mitigating actions are taken where appropriate. The Company operates with a broad range of brokers, customers and other business contacts in different product lines and geographic areas. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

After making all relevant enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in Note 1 to the financial statements.

Approved by the Board of directors and signed on its behalf by:

D Stevens
Director
11 April 2025

Directors' report

The directors present their report and the audited financial statements of Company for the year ended 31 December 2024.

Directors

The directors who have held office since 1 January 2024 and up to the date of signing are as follows:

Executive Directors

C Kearney
J Rehman
L Skeels – appointed 2 February 2024
D Stevens

Non-executive Directors

S Lindquist
S Stone
R Thomson
S Wood
D Worman

Directors' responsibility statement

The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice ("GAAP") (UK accounting standards and applicable law) including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and FRS 103: Insurance Contracts ("FRS 103"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Results and dividends

For the 2024 year the Company reported an after-tax profit of £45.5 million (2023: profit of £45.8 million). The accounted capital base of the Company as at 31 December 2024 was £590.6 million (2023: £547.1 million). The directors have not recommended the payment of a dividend for the year ended 31 December 2024 (2023: £nil).

Political donations

The Company made no contributions to UK or non-UK political parties during the year (2023:£nil).

Directors' report - continued

Business relationships

The Company engages with its shareholder in a number of different ways. The Board and its committees include members from the parent organisation.

The Company engages with its key regulators with communication being facilitated through the compliance team and members of the executive team. Meetings and other communications with regulators are on an ad-hoc basis and when requested. All significant regulatory matters are reported to the Board. The directors have considered the Company's relationships with customers and broking partners in the Section 172(1) statement of the Strategic report.

Employees

The staff who manage the affairs of the Company are employed by CNA Services, as described in the strategic report.

Streamlined energy and carbon reporting

Streamlined energy and carbon reporting is presented in the Strategic report.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is 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.

Pursuant to section 487 of the Companies Act 2006, BDO LLP have been appointed as auditors and have expressed their willingness to continue in office.

Information included in Strategic report

In accordance with section 414C(11) of the Companies Act, the Company has chosen to set out the following information, where applicable, in the strategic report which would otherwise be required to be contained in the directors' report:

- information on the financial risk management objectives and policies;
- indication of the exposures to relevant key risks; and
- indication of likely future developments in the business of the Company.
- information on post balance sheet events

Approval

Approved by the Board of directors and signed on its behalf by:

D Stevens
Director
11 April 2025

Independent Auditor’s report to the members of CNA Insurance Company Limited

Opinion on the financial statements

In our opinion:

- the 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;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CNA Insurance Company Limited (the ‘Company’) for the year ended 31 December 2024 which comprise the Profit and loss account – Technical account – General business, the Profit and loss account – Non-technical account, the Statement of comprehensive income, the Statement of changes in equity, the Balance Sheet and Notes to the financial statements other than that part of Note 3 marked ‘Unaudited’, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs

(UK)) and applicable law. Our responsibilities under those standards are further described in the

Auditor’s 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. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 15 May 2024 to audit the financial statements for the year ended 31 December 2024 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is one year, covering the year ended 31 December 2024. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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. Our evaluation of the Directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Company’s current business plans and budgets, including challenging management on the growth assumptions and assessing whether forecasts were consistent with justifiable assumptions and movements;
- Reviewing the outturn of previous forecasts against the audited 2024 results to assess the accuracy of the Director’s forecasting;
- Assessing the Company’s solvency position through reference to sufficiency of assets to meet liabilities and the adequacy of regulatory capital;
- Enquiring of the Directors and reviewing management information, board minutes and regulatory correspondences to ascertain the existence of undisclosed events or obligations that may cast doubt on the Company’s ability to continue as a going concern;

Independent Auditor's report to the members of CNA Insurance Company Limited – continued

Conclusions relating to going concern - continued

- Obtaining and reviewing the Directors assessment of the Company's ability to continue as a going concern, including forecasts, assumptions, and future actions. We considered the appropriateness and validity of this information given the knowledge obtained during our audit about the Company and transactions it has concluded; and
- Considering the accuracy and completeness of the disclosures in the financial statements with regards to the Directors' going concern assessment.

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.

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

Overview

Key audit matters		2024
	Valuation of claims incurred but not reported (IBNR) provision for significant classes of business.	✓
	Based on our audit approach, we determined the key audit matter to be the valuation of claims incurred but not reported ("IBNR") for significant classes of business which is a component of valuation of claims outstanding.	
	The classes of business we have deemed significant based on our risk assessment includes Energy, Financial Institutions, Home Foreign, Liability, Liability Package, Life Sciences, Marine Cargo, Medical Treatment, Professional Liability and Property which represent 78.4% of total gross IBNR.	
Materiality	*Financial statements as a whole* £11,800k based on 2% of Net Assets.	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of 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.

Independent Auditor's report to the members of CNA Insurance Company Limited – continued

An overview of the scope of our audit - continued

Key audit matters - continued

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of claims incurred but not reported (“IBNR”) provision for significant classes of business.

Refer to Note 1 (Accounting policies), Note 2 (Key sources of estimation uncertainty) and Note 18 (Technical provisions).</td><td>The financial statements include a provision for claims IBNR for the estimated cost of settling claims associated with insurance contracts written by the Company.

The Company recorded gross claims outstanding of £631.2m as disclosed in note 18 to the financial statements which includes IBNR of £438.5m.

The classes of business we have deemed significant based on our risk assessment include Energy, Financial Institutions, Home Foreign, Liability, Liability Package, Life Sciences, Marine Cargo, Medical Treatment, Professional Liability and Property which represent 78.4% of total gross IBNR.

The estimation of IBNR is generally subject to uncertainty and requires significant management judgement and estimation. Judgement is required in the selection of claims data utilised and the application of appropriate actuarial techniques and assumptions.

Estimates of the IBNR provision are based on past experience, historical claims data and effects of current developments and perceived likely trends.

Given the degree of estimation, assumptions and judgement underpinning the valuation of claims IBNR provision for significant classes of business, and the significance of this amount in deriving the Company's results, we have assessed the valuation of IBNR as being a significant risk, and a key audit matter.</td><td>As part of our audit procedures, we performed the following in conjunction with our actuarial specialists:

• Obtained an understanding of the reserving process, and the relevant controls over the data, methodology and assumptions, models and outputs used.
• Performed a risk assessment for each class of business through assessment of volatility, tail-length, class status (run-off vs active), noted uncertainties, specific models, actuarial methods and relative size of reserves.
• Assessed the appropriateness and consistency of the underlying reserving data provided by the Company's actuarial team with the finance team data.
• Challenged key assumptions, methods and actuarial models used to ensure estimates are objective and reasonable.
• Considered the risk of management bias by reviewing any changes to assumptions and methodologies applied to the estimates and reviewing the outturn of prior years against the previous estimates.
• Performed independent re-projections of reserves using historical claims data and our own actuarial techniques.
• Performed key data inputs and reconciliations testing.
• Assessed the reasonableness of the IBNR margin held at year end.

Key observations:
Based on the audit procedures performed, we considered the judgements, estimates and assumptions made in the valuation of IBNR provision for significant classes of business to be reasonable.</td></tr>
</table>

Independent Auditor's report to the members of CNA Insurance Company Limited – continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company financial statements
	2024 **£'000**
Materiality	11,800
Basis for determining materiality	2% of Net Assets
Rationale for the benchmark applied	Net assets is considered an appropriate benchmark for a long-established insurer focused on the strength of its balance sheet and ability to meet economic exposures arising from historical underwriting activity.
Performance materiality	7,670
Basis for determining performance materiality	65% of Materiality
Rationale for the percentage applied for performance materiality	65% was reflective of our perceived risk of misstatement in the financial statements, considering this is a first-year audit engagement.

Independent Auditor’s report to the members of CNA Insurance Company Limited – continued

Our application of materiality - continued

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £590k. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the document entitled ‘2024 Annual Report and Financial Statements’, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on 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 the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors’ report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors’ report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • 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 • the Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors’ remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Independent Auditor's report to the members of CNA Insurance Company Limited – continued

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the United Kingdom Generally Accepted Accounting Practice and Companies Act 2006.

The Company is regulated by the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') and is subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to include the Bribery Act 2010, Taxation legislation and Anti-money laundering legislation.

Independent Auditor's report to the members of CNA Insurance Company Limited – continued

Auditor's responsibilities for the audit of the financial statements - continued

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondences with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation.
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred;
- Review of the Own Risk and Solvency Assessment ('ORSA') for any evidence of non-compliance with the PRA Solvency II regulations;
- Enquiring of the Directors and other management for instances of non-compliance; and
- Enquired with compliance and internal audit departments about knowledge of any non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Involvement of forensic specialists in the audit to discuss how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas, most susceptible to fraud, to be the valuation of IBNR for specific classes of business and management override of controls.

Our procedures in respect of the above included:

- The procedures set out in the key audit matters section of our report;
- Testing a sample of journal entries throughout the year, which met a defined risk criterion, by agreeing to supporting documentation;and
- Evaluating findings from procedures performed on the evaluation of design and implementation of IT general controls that impact management override of controls.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor’s report to the members of CNA Insurance Company Limited – continued

Auditor’s responsibilities for the audit of the financial statements - continued

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Alexander Barnes
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Alexander Barnes (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
11 April 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and loss account - Technical account - General business

For the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Gross premiums written	4	**313,873**	309,690
Outward reinsurance premiums	4	**(55,590)**	(58,453)
Premiums written, net of reinsurance		**258,283**	251,237
Change in provision for unearned premiums			
– gross amount	4	**(2,360)**	(17,855)
– reinsurers' share	4	**(1,104)**	1,237
Earned premiums, net of reinsurance		**254,819**	234,619
Claims paid			
– gross amount		**113,977**	131,662
– reinsurers' share		**(22,397)**	(14,160)
Net claims paid	5	**91,580**	117,502
Change in the provision for claims:			
– gross amount	5	**45,877**	51,412
– reinsurers' share	5	**17,631**	(9,015)
Claims incurred, net of reinsurance	5	**155,088**	159,899
Net operating expenses	6	**77,758**	70,504
Balance on the technical account for general business		**21,973**	4,216

All the amounts above are in respect of continuing operations.

The Notes 1 to 25 form an integral part of these financial statements.

Profit and loss account - Non-technical account

For the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Balance on the technical account for general business		**21,973**	4,216
Income from investments		**25,351**	21,437
Realised losses on investments	12	**(7,130)**	(4,215)
Unrealised gains on investments	12	**11,154**	33,803
Investment management expenses		**(522)**	(447)
Interest expense		**(588)**	(761)
Total investment return		**28,265**	49,817
Other income/(charges)	8	**2,581**	(793)
Profit on ordinary activities before tax	9	**52,819**	53,240
Tax on profit on ordinary activities	10	**(7,355)**	(7,488)
Profit for the financial year		**45,464**	45,752

All the amounts above are in respect of continuing operations.

The Notes 1 to 25 form an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Profit for the financial year		**45,464**	45,752
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of the net defined benefit pension scheme asset	16	**(1,995)**	(3,395)
UK Deferred tax attributable to remeasurement of the net defined benefit pension scheme asset	16	**383**	687
Currency translation differences		**(395)**	274
Total comprehensive income for the year		**43,457**	43,318

All the amounts above are in respect of continuing operations.

The Notes 1 to 25 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2024

	Share capital £'000	Profit and loss account £'000	Total shareholder's equity £'000
Balance at 1 January 2024	**255,200**	**291,932**	**547,132**
Profit for the financial year	**-**	**45,464**	**45,464**
Other comprehensive income			
Remeasurement of the net defined benefit pension scheme asset	**-**	**(1,995)**	**(1,995)**
UK deferred tax attributable to remeasurement of the net defined benefit pension scheme asset	**-**	**383**	**383**
Currency translation differences	**-**	**(395)**	**(395)**
Total comprehensive income for the year	**-**	**43,457**	**43,457**
Balance at 31 December 2024	**255,200**	**335,389**	**590,589**

	Share capital £'000	Profit and loss account £'000	Total shareholder's equity £'000
Balance at 1 January 2023	255,200	248,614	503,814
Profit for the financial year	-	45,752	45,752
Other comprehensive income			
Remeasurement of the net defined benefit pension scheme asset	-	(3,395)	(3,395)
UK Deferred tax attributable to remeasurement of the net defined benefit pension scheme asset	-	687	687
Currency translation differences	-	274	274
Total comprehensive income for the year	-	43,318	43,318
Balance at 31 December 2023	255,200	291,932	547,132

The Notes 1 to 25 form an integral part of these financial statements.

Balance sheet

As at 31 December 2024

Assets	Notes	31 Dec 2024 £'000	31 Dec 2023 £'000
Shares in group undertakings	11	**277,440**	257,299
Other financial investments - debt securities and other fixed income securities	12	**807,870**	736,472
Investments		**1,085,310**	993,771
Reinsurers' share of provision for unearned premiums	13	**27,578**	28,254
Reinsurers' share of claims outstanding	13	**119,008**	135,992
Reinsurers' share of technical provisions		**146,586**	164,246
Debtors arising out of direct insurance operations - intermediaries		**103,101**	73,772
Debtors arising out of reinsurance operations		**15,179**	(9)
Other debtors	14	**1,953**	13,036
Debtors – amounts falling due within one year		**120,233**	86,799
Cash at bank and in hand		**62,148**	66,488
Pension asset	16	**9,886**	11,264
Other assets		**72,034**	77,752
Accrued interest		**9,993**	8,502
Deferred acquisition costs	15	**25,742**	26,704
Other prepayments and accrued income		**131**	127
Prepayments and accrued income		**35,866**	35,333
Total assets		**1,460,029**	1,357,901

The Notes 1 to 25 form an integral part of these financial statements.

Balance sheet – continued

As at 31 December 2024

Liabilities	Notes	31 Dec 2024 £'000	31 Dec 2023 £'000
Called up share capital	17	**255,200**	255,200
Profit and loss account		**335,389**	291,932
Capital and reserves		**590,589**	547,132
Provision for unearned premiums	18	**165,662**	163,124
Claims outstanding	18	**631,153**	584,768
Technical provisions		**796,815**	747,892
Provisions for other risks	19	**87**	193
Creditors arising out of direct insurance operations		**7,448**	5,424
Creditors arising out of reinsurance operations		**49,287**	42,315
Other creditors including tax and social security	20	**14,055**	12,804
Creditors – amounts falling due within one year		**70,790**	60,543
Reinsurers' share of deferred acquisition costs	15	**706**	1,027
Other accruals and deferred income		**1,042**	1,114
Accruals and deferred income		**1,748**	2,141
Total liabilities		**1,460,029**	1,357,901

The Notes 1 to 25 form an integral part of these financial statements.

Registered in England and Wales: number 950

These financial statements were approved by the Board of directors on 11 April 2025 and signed on its behalf by:

D Stevens
Director

Notes to the financial statements

1. Accounting policies

CICL (registered number 950) is a private company limited by shares incorporated in England and Wales and is resident for tax purposes in the UK. The address of the registered office is 20 Fenchurch Street, London, EC3M 3BY.

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business operations and Future development paragraphs, which form part of the Strategic report.

Basis of accounting

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("FRS 102") and Financial Reporting Standard 103 ("FRS 103"), Schedule 3 of the of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance groups and the Companies Act 2006. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern

The financial statements have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board has reviewed the Company's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surplus.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, and information regarding the financial position of the Company, its cash flows and liquidity position, are set out in Notes 3 and 12 to the financial statements including: the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

Measurement convention

The financial statements are prepared on the historical cost basis, as modified by the revaluation of financial instruments at fair value through the profit and loss account.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Disclosure exemption

The Company is included in the consolidated financial statements of CNAF, a company incorporated in the United States of America, whose consolidated financial statements are publicly available at https://investor-relations.cna.com/financial/latest-financials/default.aspx. Consequently, the Company has taken advantage of the disclosure exemptions available in Section 33 for FRS 102 in respect of transactions with wholly owned subsidiaries and is exempt under section 401 of the Companies Act 2006 from preparing consolidated financial statements. The Company has applied exemptions in relation to the following disclosures:

- Section 7 - Statement of Cash Flows and related Notes;
- Section 33 - Related Party disclosures in respect of transactions with wholly owned subsidiaries; and
- Section 33.7 - Remuneration of key management personnel.

Notes to the financial statements – continued

1. Accounting policies - continued

Foreign currencies

During the year, the Company maintained one branch in Europe. The branch is in run-off and no new business was underwritten in the year. The financial statements of this branch are maintained in their functional currency, being the currency of the primary economic environment in which the branch operates. Typically, the functional currency and the currency of the primary economic environment is the currency of the country in which the entity is located.

Foreign currency transactions are converted to functional currency using the exchange rates prevailing at the date of the transactions. Assets and liabilities denominated in foreign currency are revalued to functional currency at year end exchange rates and the resultant differences are recognised as gains and losses in other income in the profit and loss account.

The presentational currency of the Company's financial statements is Pounds Sterling which is rounded to thousands. The functional currency financial statements of foreign branches are translated to Pounds Sterling as follows. Income and expenses are translated to Pounds Sterling using the exchange rates prevailing at the date of the underlying transactions. Assets and liabilities are translated to Pounds Sterling at year end exchange rates. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of transaction. All resulting exchange differences are recorded as currency translation differences in the statement of comprehensive income and are presented in retained earnings.

Basis of accounting for underwriting activities

Contracts are classified at inception, for accounting purposes, as either insurance contracts or investment contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts after inception if the insurance risk becomes significant. The Company has not issued an investment contracts in the current or prior year.

Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to pay benefits that were significantly greater than the premium received. Such contracts may also transfer financial risk. Investment contracts are contracts that carry financial risk with no significant insurance risk.

Premiums

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums on contracts incepting in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Company not yet notified.

Outward reinsurance premiums comprise premiums on reinsurance contracts incepted during the financial year as well as adjustments made to reinsurance premiums from previous accounting periods. The amount due, but not paid, is included in insurance and reinsurance debtors in the balance sheet for certain policy types.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to exposures after the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Notes to the financial statements – continued

1. Accounting policies - continued

Claims incurred

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year, and the movement in the provisions for claims outstanding and settlement expenses, including claims incurred but not reported ("IBNR"), net of salvage and subrogation recoveries.

Outward reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inward reinsurance business being reinsured.

Claims outstanding and related reinsurance recoveries

Provision is made for undiscounted claims outstanding and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims IBNR at that date. Included in the provision is an estimate of the internal and external costs of handling the claims outstanding. Estimated salvage and other recoveries are deducted from claims outstanding.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where there is more available information about the claim event. In calculating IBNR the Company uses a variety of estimation techniques. These are largely based on actuarial analysis of historical experience, which assumes the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

Large claims are generally assessed separately by each business class, being measured on a case by case basis, to allow for the possible distortive impact of the development and incidence of the large claims.

When calculating the provision for claims outstanding, the Company selects an estimation technique taking into account the individual characteristics of each business class.

Reinsurance recoveries are based upon the provision for claims outstanding, having due regard to collectability. Reinsurance recoveries in respect of estimated IBNR are assumed to be consistent with historical patterns of such recoveries, adjusted to reflect any changes in the nature and extent of the Company's reinsurance programme over time and with consideration given to recoveries implied from the Company's economic capital model. The recoverability of reinsurance is assessed having regard to market data on the financial strength of each reinsurer.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and the directors therefore consider that its provisions for claims outstanding and related reinsurance recoveries are fairly stated. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Any adjustment made to amounts for claims provisions in respect of prior years is included in the technical account within the financial statements of the period when such adjustment is made.

1. Accounting policies - continued

Deferred acquisition costs

Acquisition costs comprise the direct expenses of concluding insurance contracts underwritten during the financial year. Acquisition costs are deferred and amortised over a period equivalent to that over which the underlying business is underwritten, and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date. The Company defers only those acquisition costs which are directly related to the conclusion of insurance contracts as calculated separately for each class of business.

Liability adequacy test

At each reporting date an assessment is made to determine whether recognised insurance liabilities are adequate. If that assessment shows that the carrying amount of insurance liabilities (less related acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is recognised in the profit and loss account as an impairment of any associated deferred acquisition costs and, where these are fully depleted, via the provision for unexpired risks. The adequacy of the provision for unexpired risks is calculated separately by reference to classes of business that are managed together, after taking into account relevant investment return.

Leases

All lease contracts are assessed to determine whether they constitute finance leases or operating leases. The Company has no assets held under finance leases or hire purchase transactions.

Payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Incentives received to enter into an operating lease are similarly spread on a straight-line basis over the lease term.

Provisions for dilapidations are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Defined benefit pension schemes

For defined benefit schemes the amounts charged to the profit and loss account are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Net interest on the net defined benefit liability (asset) is reflected in other finance costs or credits.

Re-measurements of the net defined benefit asset include: actuarial gains and losses, the return on plan assets excluding amounts included in the net interest on the net defined benefit asset in the profit and loss account; and any changes in the effect of the asset ceiling, are recognised immediately in the statement of comprehensive income.

The defined benefit schemes are funded, with the assets of the schemes held separately from those of the Company, in separate, trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Notes to the financial statements – continued

1. Accounting policies - continued

Defined contribution pension schemes

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Investment return

Total investment return is recognised in the Profit and loss account-non-technical account.

Investment income comprises interest and dividends and realised gains and losses on investments. Interest is recognised on an accrual basis and dividends are included on an ex-dividend basis.

Realised gains or losses represent the difference between the net sales proceeds and purchase price.

Interest payable and expenses incurred in the management of investments are accounted for on an accrual basis.

Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price. The movement in unrealised gains and losses therefore includes the reversal of previously recognised unrealised gains and losses on investments disposed of in the current year.

Tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not discounted.

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

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

Financial assets and liabilities

The Company recognises a financial asset or a financial liability on its balance sheet when it becomes a party to the contractual provisions of the instrument. On initial recognition, the Company determines the category of financial instrument and values it accordingly. The classification depends on the purpose for which the instruments are acquired.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements – continued

1. Accounting policies - continued

The Company's investment guidelines does not permit it to hold derivative financial instruments. This position is regularly reviewed by the Investment Group.

Purchases and sales of securities and currencies are recognised on the trade date – the date on which the Company commits to purchase or sell the asset.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and all the risks and rewards of ownership of the asset to another entity.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

An impairment loss is reversed if there is new information which results in a change in the estimates used to determine the estimated future cash flows. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows has not been adjusted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and the loss is recognised in the profit and loss account.

Impairment (non-financial assets)

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the profit and loss account.

An impairment loss is reversed if there is new information which results in a change in the estimates used to determine the recoverable amount, being the higher of fair value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows has not been adjusted.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Shares in group undertakings

Investments in group undertakings are valued at cost less provision for impairment. Any change in the carrying value is calculated annually with reference to each subsidiary's UK GAAP net book value and recognised in the profit and loss account.

Notes to the financial statements – continued

1. Accounting policies - continued

Intangible assets

Intangible assets are stated at cost net of amortisation and any provision for impairment. Amortisation is provided on all intangible assets, including purchased software and internally developed software, on a straight-line basis over their expected useful life of 3 to 5 years:

Investments at fair value through profit and loss

The Company designates financial assets upon initial recognition as “fair value through profit and loss” on the basis that the Company manages and evaluates the performance of its investment portfolio on a fair value basis in accordance with its investment strategy.

These financial assets are initially recognised at fair value with any transaction costs being expensed through the profit and loss account. For quoted investments where there is an active market, the fair value is the quoted bid price at the balance sheet date. For quoted investments where there is no active market, the fair value is determined by reference to prices for similar assets in active markets.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets are included in the profit and loss account in the period in which they arise. The changes in value of an individual holding are classified within gains or losses on the basis of whether its current fair value reflects a gain or loss position.

Insurance and other debtors

Insurance and other debtors are initially recognised at transaction price, and subsequently carried at amortised cost reduced for any provision for impairment. Any impairment of a receivable will be recognised if there is evidence that the Company will not be able to collect the amounts receivable according to the original terms of the receivable.

Tangible assets

Tangible assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Leasehold property and improvements	Depreciated over the shorter of the useful life of the asset or the life of the lease
Fixtures, fittings and equipment	5 - 7 years
Computer equipment	3 - 5 years

Residual value is calculated on prices prevailing at the date of acquisition.

Cash at bank and in hand

Cash at bank and in hand represent cash balances, money market deposits lodged with banks and other highly liquid investments with original maturity of less than three months.

Other financial liabilities

Other financial liabilities, including payables arising from insurance contracts, investment contracts, creditors and deposits received from reinsurers, are initially measured at cost, which is equal to fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Provisions

A provision is recognised on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2. Critical accounting judgements and key sources of estimation uncertainty

There are no critical accounting judgements other than judgements in relation to key sources of estimation uncertainty. Key sources of estimation uncertainty are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Critical accounting judgements and key sources of estimation uncertainty in applying accounting policies are continually evaluated for appropriateness. Actual results may differ from these estimates.

Key sources of estimation uncertainty

Estimates are regularly reviewed and any revisions to accounting estimates are recognised in the period in which the revision has occurred.

Outstanding claims provisions and related reinsurance recoveries

The Company's estimates for reported and unreported losses and the resulting provisions and related reinsurance recoverables are continually monitored, and updated based on the latest available information. Adjustments resulting from updated reviews are reflected in the profit and loss account. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. The estimation of claims provisions is a complex process, however, and significant uncertainty exists as to the ultimate settlement of these liabilities.

The most uncertain reserve estimate included within the Company's balance sheet is the estimate for losses incurred but not reported ("IBNR") – both gross and reinsurers' share. This estimate is critical as it outlines the current liability for future expenses expected to be incurred in relation to claims and related recoveries from reinsurers. The total estimate as at 31 December 2024 is £442.7 million (2023: £402.4 million) and is included within technical provisions in the balance sheet. The estimate for reinsurers' share of IBNR is £75.9 million (2023: £91.7 million).

The Company's estimate for unallocated loss adjustment expenses is based on an actuarial study at 31 December 2024 and was £12.0 million (2023: £11.7 million).

Pipeline premiums.

The Company makes an estimate of premiums written during the year that have not yet been notified by the financial year end based on prior year experience and current year business volumes. The pipeline premium is booked as written, with an assessment made of the related unearned premium provision and of claims incurred but not reported in respect of the earned element. The pipeline premium included within gross written premium is £6.8 million (2023: £31.6 million.

Business risk profile

A significant portion of the Company's reserves relate to long-tailed liability classes of business, being those for which claims typically take longer to be reported and settled. This increases the uncertainty of the corresponding reserve estimates. For example, such liabilities are generally impacted more materially by claims inflation, since there is a greater period of time for which such inflationary uncertainty might have an effect.

3. Risk management

The Company operates an extensive risk management framework to manage and monitor its risks within the overall risk appetite set by the Board. The narrative below describes how the principal risks of the Company are managed.

Risk statement.

The Company considers risk management to be fundamental to good management practice and a significant aspect of corporate governance. Effective risk management provides an essential contribution towards the achievement of the Company's strategic and operational objectives and goals.

The Board is responsible for risk management within the Company and communicates its risk strategy through risk appetite statements.

Risk management is an integral part of the Company's decision-making and routine management, and is incorporated within the strategic and operational planning processes at all levels across the business. Employees are expected to manage risk as defined through their roles. This ensures that an assessment of risk remains central to decision-making. The Risk Function maintains a governance framework and a risk register to support the assessment of risk within the business. This includes investigation and challenge around issues and events which may affect the Company's understanding or management of risk.

Insurance risk

Insurance risk is the risk associated directly with the Company's underwriting activities. This includes the risk associated with inaccurate or inadequate pricing of insurance policies, inappropriate or poorly controlled underwriting guidelines and authority limits, unexpectedly high frequency, or severity of claims experience, and inadequate or inaccurate loss reserving.

To mitigate these risks, the Company has in place controls and governance processes designed to closely monitor its underwriting activities. These include, but are not limited to, the oversight of the Underwriting Committee, the operation of the underlying working groups, the issuance of underwriting authority limits and guidelines, the extensive use of technical pricing models, and regular underwriting audits.

i. Underwriting risk

Underwriting risk represents risk associated with the continuing acceptance of insurance policies by the Company. This relates to the uncertainty as to whether premiums received will be sufficient to cover future incurred losses, including expenses as well as risks associated with potential volatility in claims experience.

Processes used to manage underwriting risk include the setting of underwriting and pricing standards and limits on risk-taking. The Company also monitors and manages its natural catastrophe exposures and uses catastrophe modelling software to assess its risk. Where necessary, reinsurance is used to mitigate and transfer risk falling outside risk appetite. Additionally the Company employs a business model that achieves diversification through the spread of business across territories and sectors. The Underwriting Committee is responsible for the management of underwriting risk, reporting to the Board.

Sensitivity testing is carried out around the key assumptions of planned premium rate and growth. This allows the Company to identify the levels of rate and growth where the plan becomes unsustainable.

3. Risk management - continued

Insurance risk - continued

ii. Control of aggregating exposures

Within an insurance business, aggregations of risk may arise from a single insurance contract or through a number of related contracts. Whilst some level of claims activity from these aggregations is expected on a regular basis, certain events, or a series of events, may occur that stress the business financially. Examples of such events are damage to property by fire and liability losses. The extent of the impact may also be very dependent on the size and location of the insured events.

Measurement and control of exposures are how volatility within the portfolio is constrained. It goes to the heart of the business' appetite for risk since exposures are contained at a level that represents the extent to which the Company is prepared to bear a net loss. Control of aggregating exposures in vulnerable locations is clearly vital and is the key to maximising the potential for good underwriting profit in loss-free periods without, on the downside, over-exposing capital to the impact of large and costly events. Factors which would impact the assumption of risk in these circumstances include an appropriate pricing of risk, a spread of risk across geographical territories, and the availability, subject to cost, of a suitable reinsurance programme. The Company determines the maximum total exposure levels to a range of events that it is prepared to accept. Beyond this level, no further exposure may be assumed. At any point in time, the current exposure position for the underwriting portfolio is available to underwriters, to enable them to assess the impact of individual risk exposures on the whole account.

The Company monitors and controls exposures to all material types of aggregating risk, including natural catastrophe and man-made perils. For the most material natural catastrophe perils of windstorm, flood and earthquake, the Company uses the AIR catastrophe model to quantify and manage exposures. Reinsurance is purchased to protect against aggregating events, to ensure that the Company's net exposure to aggregating events is within risk appetite. A range of stress and scenario tests are also run during the year to examine the exposure to specific types of events.

iii. Management of reinsurance risk

Treaty reinsurance is purchased to proactively manage the volatility inherent in the business. The Company seeks to balance cost versus protection through outward reinsurance treaty protections.

Reinsurance is used to protect the business against large individual risk losses as well as against catastrophe accumulations of risk. Both proportional reinsurance and non-proportional reinsurance are employed. Facultative reinsurance may also be used in certain predetermined circumstances for individual risks. The erosion and ongoing adequacy of the reinsurance programme, as well as the reinsurance credit risk, are also actively monitored.

Notes to the financial statements – continued

3. Risk management – continued

Insurance risk - continued

iv. Reserve risk

Reserve risk is associated with liabilities the Company has from insurance policies issued in the past. This is the risk that technical provisions and related claims handling reserves will be inadequate relative to the ultimate cost of settlement.

Reserves for business underwritten in the past are established through detailed actuarial studies of the Company's insurance liabilities. These studies are subject to extensive management review and discussion by the Company's Reserve Committee and Audit Committee. The Company sets its reserves using a variety of established methodologies for all claims liabilities, whether those claims are reported or unreported. Where necessary, policies or parts of the portfolio that give rise to heightened uncertainty are segmented and analysed separately.

Where actual experience differs to that anticipated in the Company's reserving assumptions, the drivers of those underlying changes in estimates of reserves are identified and analysed. When setting reserves for the current accident year, additional sources of uncertainty, such as changes in pricing levels, catastrophe claims, climate risks, economic or the mix of business underwritten, are explicitly considered. In order to monitor the adequacy of previously established reserves, claims experience is reviewed each quarter to identify any deviations against expectations.

Critical to the reserve setting process is the assumption that the past claims development experience can be used to predict the future claims development and hence the ultimate cost of claims. Triangulation statistics that show the historical development of premiums and claims for each class of business and underwriting year are used to assist in the process of determining reserves. Numerous other factors and assumptions are applied to the claims historical progression data to assist in setting these estimates. The factors include changes over time to the business mix and method of acceptance within each class of business, rating and conditions, legislation and court awards, claims inflation and economic conditions. By its nature, the process involves a significant amount of judgement, although every effort is made to ensure that the process and resultant reserves are set on a consistent basis and will be sufficient to meet the cost of claims when they are finally settled.

There is a significant amount of uncertainty in the reserve established, which may prove more or less than adequate. The level of uncertainty varies between classes of business and is generally larger for longer tail classes of business. Any change in the estimate of a reserve, or a settlement at a value other than the reserve provided, is recognised in the reporting period in which the change is identified. Given the significant uncertainty in the best estimate reserve established, the booked reserve also includes an additional management margin for prudence. This margin increases the probability that the booked claim reserves will prove adequate. The margin amount is set by the Board and reflects both the degree of uncertainty around the actuarial best estimate and the reserve risk appetite of the Company.

Notes to the financial statements – continued

3. Risk management – continued

Insurance risk - continued

iv. **Reserve risk** - continued

The concentration of insurance risk before and after reinsurance by domicile in relation to the type of insurance risk accepted is summarised below, with reference to the carrying amount of outstanding claims (gross and net of reinsurance) arising from insurance contracts:

Year ended 31 December 2024

	Commercial		**Specialty**		**Total**	
Risk location	**Gross of reinsurance £'000**	**Net of reinsurance £'000**	**Gross of reinsurance £'000**	**Net of reinsurance £'000**	**Gross of reinsurance £'000**	**Net of reinsurance £'000**
UK	**305,482**	**247,882**	**284,006**	**230,455**	**589,488**	**478,337**
Continental Europe	**6,102**	**4,951**	**9,689**	**7,862**	**15,791**	**12,813**
United States	**4,566**	**3,705**	**28**	**23**	**4,594**	**3,728**
Other	**4,455**	**3,615**	**16,825**	**13,652**	**21,280**	**17,267**
Total	**320,605**	**260,153**	**310,548**	**251,992**	**631,153**	**512,145**

Year ended 31 December 2023

	Commercial		Specialty		Total	
Risk location	Gross of reinsurance £'000	Net of reinsurance £'000	Gross of reinsurance £'000	Net of reinsurance £'000	Gross of reinsurance £'000	Net of reinsurance £'000
UK	287,697	220,791	264,827	203,240	552,524	424,031
Continental Europe	6,608	5,071	8,075	6,197	14,683	11,268
United States	3,430	2,632	26	20	3,456	2,652
Other	4,322	3,317	9,783	7,508	14,105	10,825
Total	302,057	231,811	282,711	216,965	584,768	448,776

Notes to the financial statements – continued

3. Risk management – continued

Insurance risk - continued

iv. Reserve risk - continued

The following table quantifies the impact on the Company's profit before tax and net assets of a 1% variation in the outstanding claims reserve and combined ratio, which may be the result of one or several changes in the insurance risk variables.

	Gross of reinsurance 2024 £'000	**Net of reinsurance 2024 £'000**	Gross of reinsurance 2023 £'000	Net of reinsurance 2023 £'000
Pre-tax impact of a 1% variance in:				
Claims liability	**6,312**	**5,121**	5,848	4,488
Combined ratio	**3,115**	**2,548**	2,918	2,346
Impact on net assets of a 1% variance in:				
Claims liability	**4,734**	**3,841**	4,386	3,366
Combined ratio	**2,336**	**1,911**	2,189	1,760

Financial risk

Financial risks can be broken down into the following categories:

Credit risk

Credit risk is the risk of loss if a counterparty fails to meet its contractual obligations, resulting in a financial loss to the Company. The Company is exposed to credit risk primarily through its investment and insurance activities.

The exposure to credit risk, from its holding of debt and other fixed income securities, is managed by adherence to the Company's investment guidelines which detail minimum issuer credit quality, duration limits, and the maximum value of individual holdings. The average S&P credit rating of the Company's debt and other fixed income securities remained high throughout the year, and at 31 December 2024 was "A" (2023: "A").

The Company is exposed to credit risk as a result of its regular insurance and reinsurance activity. The areas of key exposure are the reinsurers' share of claims outstanding and debtors arising out of direct and reinsurance operations from both policyholders and intermediaries. Ceded reinsurance is used to mitigate risks arising from inwards business. Ceded reinsurance does not discharge the Company's liability as primary insurer. If a ceded reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. Reinsurance coverages are normally placed with reinsurers who are included on the approved reinsurance security listing used by the Company. Generally, these reinsurers will have an S&P credit rating of "A" or better. With regard to direct insurance and reinsurance debtors, the Company operates processes to review broker security and to monitor arrangements with managing general agents. Debtors consist of payments of premium due from a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

3. Risk management – continued

Financial risk - continued

The Company does not have significant credit risk exposure to any single external counterparty or any group of counterparties. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The assets bearing credit risk are summarised below:

	2024 £'000	2023 £'000
Other financial investments	**807,870**	736,472
Reinsurers' share of claims outstanding	**119,008**	135,992
Debtors arising out of direct insurance operations	**103,101**	73,772
Cash at bank and in hand	**62,148**	66,488
Debtors arising out of reinsurance operations	**15,179**	(9)
Total assets bearing credit risk	**1,107,306**	1,012,715

The concentration of credit risk is substantially unchanged compared to the prior year.

The carrying amount of the above assets at the balance sheet date represents the maximum credit risk exposure. As at the year end, the Company does not hold any investments in wrapped debt or other such fixed income securities.

Other financial investments are designated as fair value through profit or loss at inception, and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. The credit rating for other financial investments and cash at bank and in hand is detailed below. The ratings are derived from S&P.

	2024 £'000	2023 £'000
AAA	**77,605**	73,283
AA	**182,860**	168,271
A	**285,769**	266,979
BBB	**268,157**	240,712
Below BBB or not rated	**55,627**	53,715
Other financial investments and cash at bank bearing credit risk	**870,018**	802,960

Other financial investments and cash at bank are neither past due nor impaired.

Notes to the financial statements – continued

3. Risk management - continued

Financial risk - continued

Credit risk – continued

The S&P or equivalent credit rating for reinsurers’ share of claims outstanding and debtors arising out of reinsurance operations is detailed below:

	2024 **£'000**	2023 £'000
AA	**43**	-
A	**131,981**	114,318
Below BBB or not rated	**2,163**	21,665
Total reinsurers' share of claims outstanding and debtors arising out of reinsurance operations bearing credit risk	**134,187**	135,983

Reinsurers’ share of claims outstanding includes a £0.8 million (2023: £1.0 million) provision for impairment. Debtors arising out of direct and reinsurance operations includes a £0.7 million (2023: £0.7 million) provision for impairment which represents 5.4% (2023: 5.2%) of the total past due amount.

Sensitivity testing is carried out around the key assumptions of reinsurer credit rating downgrade and default. This allows the Company to understand the effect of stressed conditions with respect to reinsurers.

3. Risk management - continued

Financial risk - continued

Liquidity risk

Liquidity risk is the risk that cash may not be available, or that assets cannot be liquidated at a reasonable price, to pay obligations when they fall due. The Company is exposed to daily calls on its available cash resources, mainly from claims arising through insurance and reinsurance contracts.

The table below summarises the maturity profile of the Company's financial and insurance liabilities based on an analysis by estimated timing of the amounts recognised in the balance sheet for insurance liabilities and based on remaining undiscounted contractual obligations for all other liabilities.

	Within 1 year £'000	1-2 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Claims outstanding	205,402	215,768	111,362	98,621	**631,153**
Creditors - amounts falling due within one year	70,790	-	-	-	**70,790**
Accruals and deferred income	1,835	-	-	-	**1,835**
As at 31 December 2024	278,027	215,768	111,362	98,621	**703,778**

	Within 1 year £'000	1-2 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Claims outstanding	189,408	201,175	101,957	92,228	**584,768**
Creditors - amounts falling due within one year	60,543	-	-	-	**60,543**
Accruals and deferred income	2,141	-	-	-	**2,141**
As at 31 December 2023	252,092	201,175	101,957	92,228	**647,452**

Notes to the financial statements – continued

3. Risk management - continued

Financial risk - continued

Liquidity risk - continued

The table below summarises the maturity profile of the Company's financial and insurance assets where the maturity profile is an analysis by estimated timing of the amounts recognised in the balance sheet.

	Within 1 year £'000	1-2 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Other financial investments	155,912	287,238	273,310	91,410	**807,870**
Reinsurers' share of claims outstanding	38,730	40,684	20,998	18,596	**119,008**
Debtors – amounts falling due within one year	120,233	-	-	-	**120,233**
Accrued interest and other prepayments and accrued income	10,124	-	-	-	**10,124**
Cash at bank and in hand	62,148	-	-	-	**62,148**
As at 31 December 2024	387,147	327,922	294,308	110,006	**1,119,383**

	Within 1 year £'000	1-2 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Other financial investments	87,086	308,948	253,338	87,100	**736,472**
Reinsurers' share of claims outstanding	44,048	46,785	23,711	21,448	**135,992**
Debtors – amounts falling due within one year	86,799	-	-	-	**86,799**
Accrued interest and other prepayments and accrued income	8,629	-	-	-	**8,629**
Cash at bank and in hand	66,488	-	-	-	**66,488**
As at 31 December 2023	293,050	355,733	277,049	108,548	**1,034,380**

The Company manages this risk by structuring its working capital to ensure that there are available cash resources or sufficiently liquid investments to meet expected cash flow requirements. The Company's investment guidelines are structured to ensure that investments can be liquidated at short notice to meet higher levels of demand in exceptional circumstances.

The Company has no significant concentrations of liabilities that would result in a concentrated cash outflow or any significant concentration of assets that may result in restrictions in liquidating at short notice.

Liquid funds and cash flow forecasts are monitored regularly to ensure that the need for sufficient liquidity is balanced against investment return objectives.

Liquidity stress tests are performed to test the sources of funds in the event of an unexpected liquidity event. The test showed that the Company has sufficient liquid funds to pay for a 1-in-200 year loss event within three months of the event. Liquid funds and cash flow forecasts are monitored regularly to ensure that the need for sufficient liquidity is balanced against investment return objectives.

3. Risk management - continued

Financial risk - continued

Market risk

Market risks are principally related to the Company's investment activity, notably its holding of debt and other fixed income investments. Within this area, the primary risks to which the Company is exposed are: currency risk and interest rate risk.

The Company manages these exposures through its Investment Group. The Investment Group is responsible for establishing and maintaining an Investment Policy in line with the risk appetite of the Company. In addition, the Investment Group is responsible for the management of all investment asset risks, the selection of its investment managers and reviewing investment performance.

The Investment Management Function is outsourced to an external fund manager. The Company has established an Asset Allocation Policy which outlines preference to invest primarily in listed debt, other fixed income securities and cash. The policy also stipulates that cash should only be held to meet known and potentially unanticipated cash requirements. Surplus cash should be placed in suitable investments in appropriate listed debt and other fixed income securities.

An investment management agreement has been established with the Company's external fund manager. The agreement includes specific guidelines for each individual portfolio to limit risks arising from duration, currency, liquidity, credit, and concentration exposures. The agreement also limits concentration of exposures to economic sectors and individual securities and provides for minimum standards of creditworthiness. The external fund manager provides quarterly affirmation of compliance with these guidelines. There are no material concentrations in asset holdings. Additionally, there are no material concentrations across risk categories.

i. currency risk

The Company is primarily exposed to currency risk in respect of assets and liabilities relating to insurance policies denominated in currencies other than Pounds Sterling. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency with surplus funds being held in line with the currency profile policy for surplus investments.

The accounting policy for foreign currencies is stated in Note 1 to the financial statements.

The relevant exchange rates measured in units against the Company's presentational currency, Pounds Sterling, for the year are:

	Profit and loss account		Balance sheet	
	2024	2023	**2024**	2023
Australian Dollar	**1.93**	1.87	**2.02**	1.87
Danish Kroner	**8.80**	8.57	**9.02**	8.60
Euro	**1.18**	1.15	**1.21**	1.15
Swedish Kroner	**13.47**	13.21	**13.86**	12.82
Swiss Franc	**1.12**	1.12	**1.14**	1.07
United States Dollar	**1.28**	1.24	**1.25**	1.27

Notes to the financial statements – continued

3. Risk management - continued

Financial risk - continued

Market risk - continued

i. currency risk - continued

The following tables summarise the sterling equivalent net carrying value of financial instruments and monetary insurance balances by currency at 31 December:

2024	GBP £'000	USD £'000	EUR £'000	AUD £'000	Other £'000	Total £'000
Investments	710,872	50,661	323,777	-	-	**1,085,310**
Reinsurers' share of technical provisions	87,112	51,858	10,149	(179)	(2,354)	**146,586**
Debtors	108,357	2,268	4,851	1,084	3,673	**120,233**
Other assets	44,837	18,446	3,644	4,035	1,072	**72,034**
Prepayments and accrued income	30,435	4,017	1,281	121	12	**35,866**
Total assets	981,613	127,250	343,702	5,061	2,403	**1,460,029**
Technical provisions	(691,195)	(82,823)	(18,426)	(4,450)	79	**(796,815)**
Creditors	(53,381)	(16,214)	(1,034)	(45)	(203)	**(70,877)**
Accruals and deferred income	(877)	(382)	(68)	-	(421)	**(1,748)**
Total liabilities	(745,453)	(99,419)	(19,528)	(4,495)	(545)	**(869,440)**
Net assets	**236,160**	**27,831**	**324,174**	**566**	**1,858**	**590,589**

2023	GBP £'000	USD £'000	EUR £'000	AUD £'000	Other £'000	Total £'000
Investments	642,077	48,058	303,636	-	-	**993,771**
Reinsurers' share of technical provisions	92,444	61,108	10,636	(194)	252	**164,246**
Debtors	65,582	17,755	(4,436)	(592)	8,490	**86,799**
Other assets	48,447	20,730	5,066	2,672	837	**77,752**
Prepayments and accrued income	31,507	3,209	491	42	84	**35,333**
Total assets	880,057	150,860	315,393	1,928	9,663	**1,357,901**
Technical provisions	(643,719)	(85,691)	(11,862)	(4,211)	(2,409)	**(747,892)**
Creditors	(35,111)	(16,141)	(4,530)	(48)	(4,906)	**(60,736)**
Accruals and deferred income	(1,013)	(684)	(66)	-	(378)	**(2,141)**
Total liabilities	(679,843)	(102,516)	(16,458)	(4,259)	(7,693)	**(810,769)**
Net assets	**200,214**	**48,344**	**298,935**	**(2,331)**	**1,970**	**547,132**

Notes to the financial statements – continued

3. Risk management - continued

Financial risk - continued

Market risk - continued

i. currency risk - continued

Given the net asset position at year end, a 10% strengthening of Pounds Sterling against the Euro and then separately against all other currencies (primarily the Euro, US dollar and Australian dollar) would result in the following impacts:

	Euro only		All currencies	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Impact on profit and loss account				
Foreign exchange gain/(loss)	**505**	233	**8,566**	5,674
Tax on profit/(loss) on ordinary activities	**(126)**	(58)	**(2,141)**	(1,418)
Impact on statement of total recognised gains and losses:				
Currency translation differences	**-**	-	**683**	662
Total impact on capital and reserves	**379**	175	**7,108**	4,918

ii. interest rate risk

The Company's exposure to interest rate risk is mainly through its investments in debt and other fixed income securities due to instrument duration and the associated duration of the liabilities arising from insurance activities. The investment portfolio is managed based on the characteristics of the underlying liabilities and the alignment of the duration of the investment portfolio to the duration of the liabilities.

The investment portfolio is periodically analysed for changes in duration and related price change risk. The evaluation is performed by applying an instantaneous change in yield rates of varying magnitude on a static balance sheet to determine the effect such a change in rates would have on the fair value at risk and the resulting effect on shareholder's' funds.

To illustrate the down side risk within the debt and other fixed income securities portfolio, the impact of an increase of 100 basis points in interest yields across all portfolios simultaneously (principally Pounds Sterling, Euro, US dollars and Australian dollars) has been estimated. The Company does not hedge interest rate risk and, assuming this continues and that all other variables remain constant, such an increase would decrease the market value of the investment portfolio and lead to a decrease in the total investment return of £22.4 million (2023: £22.5 million) and accordingly decrease total shareholder's funds by £16.8 million (2023: £16.9 million).

On the basis that all other variables remain constant, a decrease of 100 basis points in interest rates at 31 December 2024 would have had an equal and opposite effect to the amounts shown above.

Notes to the financial statements – continued

3. Risk management - continued

Financial risk - continued

Capital & Solvency

The capital of the Company consists of equity in the form of issued share capital and retained earnings. The Company manages and has complied with external capital requirements which include the Solvency II regime in accordance with the Prudential Regulation Authority ("PRA") Solvency UK framework.

A risk-based approach is used to determine the amount of capital required to support the activities of the Company with due consideration of the Solvency II requirements with regards to the Standard Formula as the basis of calculation of the Solvency Capital Requirement ("SCR"). Under the PRA framework, the SCR is set to ensure a 99.5% confidence that the Company has the ability to meet obligations over a one year time horizon. There were no instances of non-compliance with the SCR and the Minimum Solo Capital Requirement ("MCR") during the 2024 and 2023.

Recognised stochastic modelling techniques are used to measure risk exposures, and capital to support business activities is allocated according to risk profile. Stress and scenario analysis is performed and the results are reviewed against Board risk appetite.

Supplementary to the standard requirements for measuring capital set by the PRA, the Company also assesses capital using its own economic capital model.

As at 31 December 2024 the Company's unaudited Solvency II available and eligible own funds were £683.6 million (2023: £615.2 million), which is an unaudited surplus of £355.9 million (2023: £306.6 million) over the unaudited SCR of £327.7 million (2023: £308.6) million. The unaudited MCR at 31 December was £81.9 million (2023: £77.5 million).

Operational Risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or from external events. Risks include those from information security (including cyber) and technology related activities, legal and regulatory, financial reporting and financial crime as well as those from operations, outsourcing and change. The Company has in place business processes (including business continuity and resilience plans) and relevant internal controls to substantially mitigate operational risk, including a business continuity plan and IT disaster recovery plan.

The Company maintains a comprehensive register of all risks including operational risks, which builds upon the Company's risk taxonomy. The Risk Function facilitates a quarterly Risk and Control Self-Assessment with risk owners, to identify and assess the highest rated risks, and an annual refresh that assesses all risks in the register. The Risk Function reports on key risks at the Risk Committee.

The RMF includes a risk event reporting process. Risk Events are assessed, with support of the Risk Function, and logged by risk or control owners who are also responsible for assessing the nature and quantum of actual or potential losses, and root causes. Control weaknesses/failings identified are considered when quantifying risk unless remedial action has been completed and been shown to be effective. Risk Event reporting is provided regularly to the relevant senior management forum / Committee. The Company also arranges Corporate Insurance to help protect against specific types of operational financial loss.

Notes to the financial statements – continued

4. Segmental Information

Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There is no individual policyholder that comprises greater than 10% of the Company's total gross written premiums.

Financial income, other operating income, other operating expenses, finance costs and taxation are not allocated to business segments as these items are determined by entity level factors and do not relate directly to the performance of each operating segment.

Information required by the Company's Act 2006 regarding the Company's operating segments is presented below:

For the year ended 31 December 2024:

	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Direct insurance					
Marine, aviation and transport	**40,121**	**39,819**	**(20,485)**	**(6,792)**	**(5,917)**
Fire and other damage to property	**40,156**	**39,854**	**(18,915)**	**(13,894)**	**(6,240)**
Third party liability	**217,332**	**215,698**	**(111,078)**	**(56,634)**	**(33,584)**
Miscellaneous	**16,264**	**16,142**	**(9,376)**	**(4,267)**	**(2,358)**
Total	**313,873**	**311,513**	**(159,854)**	**(81,587)**	**(48,099)**

For the year ended 31 December 2023:

	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Direct insurance					
Marine, aviation and transport	29,807	28,647	(20,493)	(5,261)	(3,833)
Fire and other damage to property	37,132	39,902	(58,739)	(10,301)	(2,896)
Third party liability	226,195	209,767	(87,441)	(57,292)	(20,111)
Miscellaneous	16,556	13,519	(16,401)	(3,338)	(1,513)
Total	309,690	291,835	(183,074)	(76,192)	(28,353)

Gross written premiums by location of risk:

	2024 £'000	2023 £'000
United Kingdom	**272,429**	260,367
Other countries	**41,444**	49,323
Total	**313,873**	309,690

Notes to the financial statements – continued

5. Claims incurred

Under provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of prior years' claims are as follows:

	2024 £'000	2023 £'000
Commercial	**1,992**	(1,443)
Specialty	**(2,821)**	(13,072)
Total	**(829)**	(14,515)

Unfavourable prior year loss development of £0.8 million was recorded in 2024 compared to unfavourable development of £14.5 million in the prior calendar year. In the current calendar year, the unfavourable loss development was driven primarily by higher emergence of claims from certain lines of business than previously anticipated.

6. Net operating expenses

	2024 £'000	2023 £'000
Acquisition costs	**38,413**	47,635
Other acquisition costs	**7,461**	6,692
Change in deferred acquisition costs	**981**	(6,335)
Administrative expenses	**34,732**	28,200
Gross operating expenses	**81,587**	76,192
Reinsurance commissions	**(3,490)**	(5,713)
Change in ceded deferred acquisition costs	**(339)**	25
Net operating expenses	**77,758**	70,504

7. Information on employees and directors

A management fee for the provision of administration services is payable to CNA Services, which employed all staff. During 2024 no staff were employed by Company and no staff costs were incurred directly by the Company during 2024 (2023: nil and £nil). Allocated staff costs for the year totalled £31.9 million (2023: £27.2 million).

Directors' remuneration

The following directors of the Company who served during the year, listed below, were all employed and remunerated by CNA Services, part of the CNAF group (see Note 24). It is not practicable to allocate these directors' remuneration between their services across the companies of which they are executives. Therefore the remuneration and pension benefits are included in the financial statements of the individual company which employed and remunerated them, CNA Services:

C Kearney, J Rehman, L Skeels, D Stevens, R Thomson and S Wood

Five (2023: five) directors were members of a defined contribution pension scheme.

Notes to the financial statements – continued

7. Information on employees and directors - continued

The following directors of the Company who served during the year, listed below, were all employed and remunerated by CCC, part of the CNAF group (see Note 24). It is not practicable to allocate these directors' remuneration between their services across the companies of which they are executives. Therefore, their remuneration is included in the financial statements of the individual company which employed and remunerated them, CCC:

S Lindquist, S Stone and D Worman.

8. Other income/(charges)

	2024 £'000	2023 £'000
Income from the provision of Funds at Lloyd's	**1**	1
Other finance income (see note 16)	**631**	804
Foreign exchange gains/(losses)	**1,948**	(1,973)
Other income	**1**	375
Total	**2,581**	(793)

Income from the provision of Funds at Lloyd's is earned at a commercially benchmarked rate of 3.85% per annum of the funds deposited by the Company on behalf of HUL.

9. Profit on ordinary activities before tax

The profit on ordinary activities before tax is stated after charging the following items within net operating expenses:

	2024 £'000	2023 £'000
Allocated staff costs (see note 7)	**31,862**	27,242
Operating lease rentals:		
Recharged from CNA Services	**1,205**	909
Fees payable to the Company's auditor for:		
The audit of the Company's annual financial statements	**323**	204
Other services pursuant to legislation	**140**	155

Included in Operating lease rentals above are amounts paid by CNA Services and recharged to the Company in respect of property leases on CICL's UK offices.

Other services pursuant to legislation primarily relates to the audit of the Group Solvency and Financial Condition Report.

Notes to the financial statements – continued

10. Tax on profit on ordinary activities

	2024 £'000	2023 £'000
Current tax:		
UK Corporation tax on profits of the year	**(5,864)**	(3,818)
Overseas tax	**(5)**	(6)
	(5,869)	(3,824)
Adjustments in respect of previous years:		
UK corporation tax	**7**	-
Overseas tax	**1**	1
Total current tax charge	**(5,861)**	(3,823)
Deferred tax (see note 14)**:**		
Origination and reversal of timing differences	**(1,440)**	(5,197)
Movement in post-retirement liability excluding actuarial gain	**(41)**	(92)
Adjustment in respect of prior years	**(13)**	1,624
Total deferred tax charge	**(1,494)**	(3,665)
Tax charge on profit on ordinary activities	**(7,355)**	(7,488)

	2024 £'000	2023 £'000
Factors affecting tax charge for the year:		
Profit on ordinary activities before tax	**52,819**	53,240
Tax at the UK rate of 25.0% (2023: 23.52%)	**(13,205)**	(12,522)
Effects of:		
Group relief received without payment	**5,687**	3,570
Non-taxable income	**146**	39
Net pension contribution relief in excess of pension charges	**27**	119
Effect of uplift of deferred tax rate to 25%	**-**	(313)
Adjustments to tax charge in respect of previous years	**(5)**	1,625
Adjustments in respect of foreign tax rates	**(5)**	(6)
Tax charge on profit on ordinary activities	**(7,355)**	(7,488)

Notes to the financial statements – continued

10. Tax on profit on ordinary activities - continued

Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules

HUA is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been enacted in the UK, the jurisdiction in which the entity is incorporated, and is effective in 2024.

Under the legislation, the Group's UK entities are liable to pay a proportion of top-up tax in the UK for the difference between the Global Anti-Base Erosion model rules effective tax rate for each jurisdiction and the 15% minimum rate. In addition, top-up taxes are payable locally where qualifying domestic minimum top-up taxes have been legislated and are in effect.

HUA applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to FRS 102 section 29 issued in July 2023.

11. Shares in group undertakings

	Cost 2024 £'000	Cost 2023 £'000	**Reported Value 2024 £'000**	Reported Value 2023 £'000
Investment in Subsidiary	**323,751**	303,610	**277,440**	257,299

The Company owns 100% of the 274.25 million ordinary €1 shares in CICE (2023: 250.0 million) issued at a €93.1 million premium. The registered address of CICE is 35F, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand-Duchy of Luxembourg. The increase of 24.25 million shares was by way of a contribution of €24.25 million on 10 December 2024.

The Company owns one ordinary £1 share (2023: £1), issued at par value, of Maritime Insurance Company Limited ("MICL") representing 100% of MICL's authorised share capital. MICL is incorporated in the UK, registered in England and Wales at the same address as the Company, and is currently dormant.

12. Other financial investments

	Cost 2024 £'000	Cost 2023 £'000	**Fair Value 2024 £'000**	Fair Value 2023 £'000
Fair value through profit and loss:				
Debt securities and other fixed income securities	**820,129**	775,950	**807,870**	736,472

Notes to the financial statements – continued

12. Other financial investments – continued

Fair value

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable.

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices equal to the bid price in active markets; quoted prices for similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable in active markets.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are not observable.

The Company attempts, either itself or through its external fund manager (see Note 3), to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. The Company is responsible for the valuation process and seeks to obtain quoted market prices for all securities. When quoted market prices in active markets are not available, the Company utilises market observable information to the extent possible. As further validation of the Company's valuation process, the Company samples past fair value estimates and compares the valuations to actual transactions executed in the market on similar dates.

Other financial investments measured by the fair value hierarchy at 31 December are summarised below:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2024				
Debt securities and other fixed income securities	**13,682**	**794,188**	**-**	**807,870**
2023				
Debt securities and other fixed income securities	13,714	722,758	-	736,472

During the year no significant transfers occurred between Level 1 and Level 2. The Company held no Level 3 investments in the current or prior year.

The amounts expected to be realised within and after one year are estimated as follows:

	2024 £'000	2023 £'000
Within one year	**155,912**	87,086
After one year	**651,958**	649,386
Total	**807,870**	736,472

Notes to the financial statements – continued

13. Reinsurers’ share of technical provisions

	2024 £'000	2023 £'000
Reinsurers' share of claims outstanding	**119,008**	135,992
Reinsurers' share of unearned premiums	**27,578**	28,254
Total	**146,586**	164,246

Reinsurers’ share of claims outstanding is shown net of an impairment provision of £506k (2023: £720k).

14. Other debtors

	2024 £'000	2023 £'000
Deferred tax asset	**707**	2,160
Corporation tax receivable	**1,246**	-
Amounts due from group undertakings	**-**	9,928
Other	**-**	948
Total	**1,953**	13,036

The carrying amounts of all items approximate fair value. Group balances are payable on demand and reflect intra-group recharges.

Deferred tax balance

Details of the full potential asset for deferred tax are given below:

	Provided 2024 £'000	Provided 2023 £'000
Tax losses	**-**	1,419
Short-term timing differences	**538**	540
Decelerated capital allowances	**169**	201
	707	2,160
Post-retirement liability (note 16)	**(2,598)**	(2,940)
Total	**(1,891)**	(780)

Notes to the financial statements – continued

14. Other debtors - continued

A net deferred tax liability has been provided in the financial statements. The deferred tax assets within this are recognised to the extent that the directors consider that it is likely to be utilised in the foreseeable future and have been fully provided in the current and prior year. The Company expects that £33k of the deferred tax asset will reverse during 2025.

	2024 £'000	2023 £'000
Provision at start of year	**(780)**	2,198
Amounts charged to the profit and loss account	**(1,494)**	(3,665)
Amounts credited to the statement of comprehensive income	**383**	687
Provision at end of year	**(1,891)**	(780)

15. Deferred acquisition costs

Gross	**2024 £'000**	2023 £'000
At 1 January	**26,704**	20,621
Change in deferred acquisition costs	**(981)**	6,335
Foreign exchange revaluation	**19**	(252)
At 31 December	**25,742**	26,704

All amounts are expected to be recovered within one year. Change in deferred acquisition costs is made up of amortisation of £38.9 million (2023: £41.3 million) and deferral of £37.9 million (2023: £47.6 million).

Ceded	**2024 £'000**	2023 £'000
At 1 January	**1,027**	1,045
Change in deferred acquisition costs	**(339)**	25
Foreign exchange revaluation	**18**	(43)
At 31 December	**706**	1,027

Notes to the financial statements – continued

16. Staff pension plans

Retirement benefit pension scheme

The Company sponsors two defined benefit schemes in the UK (Scheme A and Scheme B). The schemes are administered by a separate fund that is legally separated from the Company. The Trustees of the pension fund are required by law to act in the interest of the funds and of all relevant fund stakeholders.

The Trustees are responsible for the investment strategy of the plan after consulting the Company. The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation and take expert advice as required from their professional advisers. The Trustees review their investment strategy following each formal actuarial valuation of the plan (or more frequently should the circumstances of the plan change in a material way). The Trustees take advice from their professional advisers regarding an appropriate investment strategy for the plan.

Risks associated with the Plans

The Plans expose the Company to a number of risks, the most significant of which are:

Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. However, at the balance sheet date the plan is invested wholly in gilts and bonds which will reduce this risk.
Changes in bond yields	A fall in corporate bond yields will increase the value placed on the plan's liabilities for accounting purposes, although this is expected to be broadly offset by an increase in the value of the plan's gilt and bond holdings.
Inflation risk	Most of the plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). Such an increase in the liability value will be partially offset by an increase in the value of the inflation-linked gilt holdings.
Life expectancy	The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The Company is aware of a UK High Court legal ruling in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited, which decided that certain historic rule amendments were invalid if they were not accompanied by actuarial certifications. The ruling was subject to appeal and in July 2024 the Court of Appeal confirmed the UK High Court legal ruling from 2023. The Company, together with the pension scheme trustees and their advisors, is in the process of assessing the possible impact of this ruling. As it is not possible at present to estimate the impact, if any, from the ruling, no adjustments have been made to the defined benefit obligation recognised in the financial statements.

Notes to the financial statements – continued

16. Staff pension plans - continued

Summary of the two schemes

The net pension asset of the two schemes is summarised below:

	2024 £'000	2023 £'000
Net pension asset of Scheme A	**7,794**	8,820
Net pension asset of Scheme B	**2,092**	2,444
Net pension asset	**9,886**	11,264

During the year the amounts recognised in profit and loss was £0.1 million (2023: £0.5 million), and can be broken down by the two schemes as follows:

	2024 £'000	2023 £'000
Amounts recognised in profit and loss of Scheme A	**(165)**	(369)
Amounts recognised in profit and loss of Scheme B	**(110)**	(133)
Amounts recognised in profit and loss	**(275)**	(502)

During the year the amounts recognised in OCI was £2.0 million (2023: £3.4 million), and can be broken down by the two schemes as follows:

	2024 £'000	2023 £'000
Amounts recognised in OCI of Scheme A	**1,533**	2,749
Amounts recognised in OCI of Scheme B	**462**	646
Amounts recognised in OCI	**1,995**	3,395

Notes to the financial statements – continued

Scheme A – CNA Pension Plan for UK Employees

Composition of the scheme

The Company sponsors a funded defined benefit pension plan ("the Plan") for qualifying UK employees. The Plan is administered by a separate board of Trustees which is legally separate from the Company. The Trustees are composed of representatives of both the Company and the members of the Plan. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Under the Plan, members are entitled to annual pensions on retirement at normal retirement age (typically age 60 or age 65) of one-sixtieth of final pensionable salary for each year of service. Pensionable salary is defined as basic salary (plus for certain members in certain circumstances any bonuses declared to be pensionable). Benefits are also payable on death and following other events such as early retirement or withdrawing from active service.

The Plan was closed to new members with effect from 1 May 2002. All employees now participate in a defined contribution pension plan.

With effect from 30 September 2014 all active members became deferred pensioners following the curtailment of the Plan and the subsequent transfer of their employment from CICL to CNA Services.

Profile of the Plan

The defined benefit obligation includes benefits for deferred members and current pensioners.

Broadly, about 53% of the liabilities are attributable to deferred members and 47% to current pensioners.

The Plan duration is an indicator of the weighted-average time until benefit payments are made. For the Plan as a whole, the duration is around 15 years.

The table below illustrates the profile of projected future benefit payments from the Plan.

As at 31 December 2024	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Pension benefits	2%	2%	6%	90%

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Plan was carried out by a qualified actuary as at 31 March 2022 and it showed a surplus of £3.3 million.

As a result of the valuation the Company does not pay annual contributions. However, the Company continues to pay the Pension Protection Fund and other levies.

The next funding valuation will be carried out with an effective date of 31 March 2025. If the Plan is in deficit at that time, the Company will discuss any required deficit contributions with the Trustees of the Plan.

Contributions of £nil million were made by the Company during 2024. Company contributions to the Plan in the year to 31 December 2025 are estimated to be £nil.

Before the scheme closed to future accruals, the Trustees insured certain benefits payable on death in service before retirement.

Notes to the financial statements – continued

16. Staff pension plans - continued

Scheme A – CNA Pension Plan for UK Employees - continued

Reporting at 31 December 2024

The results of the latest funding valuation at 31 March 2022 have been adjusted to the balance sheet date taking account of experience over the period since 31 March 2022, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Method.

Main assumptions

The main assumptions are as follows:

	2024 % pa	2023 % pa
Discount rate for the Plan's liabilities	**5.5**	4.5
RPI inflation	**3.0**	2.9
CPI inflation	**2.6**	2.5
Increase in salaries	**n/a**	n/a
Life expectancy for male currently aged 65	**22.6**	22.7
Life expectancy for female currently aged 65	**24.1**	24.2
Life expectancy for male currently aged 45	**23.5**	24.0
Life expectancy for female currently aged 45	**25.2**	25.6

The mortality assumptions are based on standard mortality tables derived from the collected mortality experience of a large number of schemes. The standard tables are adjusted to allow for socio-economic analysis of the Plan's membership and for expected future improvements in mortality rates.

At 31 December 2024 the Plan assets were invested in the following asset classes:

	Fair value 2024 £'000	**Of which not quoted in active market 2024 £'000**	Fair value 2023 £'000	Of which not quoted in active market 2023 £'000
Gilts and bonds	**49,269**	**-**	56,993	-
Insured annuity asset	**34**	**34**	38	38
Cash	**952**	**-**	278	-
Total	**50,255**	**34**	57,309	38

At 31 December 2024 £nil (2023: £nil) of the fair value of scheme assets related to self-investment.

Notes to the financial statements – continued

16. Staff pension plans - continued

Scheme A – CNA Pension Plan for UK Employees - continued

The amounts recognised on the balance sheet at 31 December 2024 are set out below:

	2024 £'000	2023 £'000
Fair value of Plan assets	**50,255**	57,309
Present value of funded defined benefit obligation	**(39,863)**	(45,549)
Assets recognised on the balance sheet	**10,392**	11,760
Related deferred tax liability	**(2,598)**	(2,940)
Net pension asset	**7,794**	8,820

The amounts recognised in total comprehensive income are set out below:

	2024 £'000	2023 £'000
Operating cost		
Service costs:		
Administration expenses	**356**	302
Past service cost	**-**	-
Total operating cost	**356**	302
Financing cost:		
Interest on net pension (liability)/asset	**(521)**	(671)
Pension expense/(benefit) recognised in profit and loss	**(165)**	(369)
Remeasurements in other comprehensive income:		
Return on plan assets in excess of that recognised in net interest	**7,704**	1,407
Liability (losses)/gains arising during the year	**(6,171)**	1,342
Total amount recognised in other comprehensive income	**1,533**	2,749
Total amount recognised in profit and loss and comprehensive income	**1,368**	2,380

Notes to the financial statements – continued

16. Staff pension plans - continued

Scheme A – CNA Pension Plan for UK Employees - continued

Changes in the present value of the defined benefit obligation are as follows:

	2024 £'000	2023 £'000
Opening defined benefit obligation	**45,549**	44,486
Interest expense on defined benefit obligation	**2,015**	2,079
Actuarial losses arising from experience	**(6,171)**	1,322
Actuarial losses/(gains) arising from changes in financial assumptions	**516**	1,272
Actuarial gains arising from changes in demographic assumptions	**(516)**	(1,252)
Net benefits paid out	**(1,530)**	(2,358)
Closing defined benefit obligation	**39,863**	45,549

Changes in the fair value of scheme assets are as follows:

	2024 £'000	2023 £'000
Opening fair value of plan assets	**57,309**	58,626
Interest income on plan assets	**2,536**	2,750
Administration costs incurred	**(356)**	(302)
Fair value losses after interest earned	**(7,704)**	(1,407)
Net benefits paid out	**(1,530)**	(2,358)
Closing fair value of scheme assets	**50,255**	57,309

Scheme B – The CNA Re Management Company Limited (“CNA Re”) Retirement Benefits Plan

In 2002 CCC sold its subsidiary undertaking CNA Re to Tawa Plc (formerly Tawa UK Limited). Pursuant to the Share Purchase Agreement between CCC and Tawa Plc, CCC provided an indemnity in favour of CNAE in respect of obligations which CNAE assumed as Principal Employer of the Plan.

By virtue of a Deed of Substitution of Principal Employer effective 10 July 2008, the Company replaced CNAE as Principal Employer of the Plan. CCC has provided an indemnity in favour of the Company.

Composition of the scheme

The Company operates a Defined Benefits Plan, the CNA Re Management Company Limited Retirement Benefits Plan (1977) (“the 1977 Plan”). The benefits provided by the 1977 Plan are final salary defined benefits with the contributions paid by the Employer on a balance of cost basis. The 1977 Plan is run by the Trustees who ensure that the 1977 Plan is run in accordance with the Trust Deed & Rules of the 1977 Plan and complies with legislation. The Trustees are required by law to fund the 1977 Plan on prudent funding assumptions under the Trust Deed & Rules of the 1977 Plan. The contributions payable by the Employer to fund the 1977 Plan are set by the Trustees after consulting the Employer.

The 1977 Plan closed to all accruals on 31 October 2002.

The assets of the Plan are invested in gilt and corporate bond managed funds with Legal & General Assurance (Pensions Management) Limited. The liabilities for pensions in payment up until mid-2022 were secured by the purchase of an annuity when a member retired. Such policies are now all in the name of the Members and are therefore excluded.

Notes to the financial statements – continued

16. Staff pension plans - continued

Scheme B – The CNA Re Management Company Limited ("CNA Re") Retirement Benefits Plan - continued

Profile of the 1977 Plan

The defined benefit obligation includes benefits for deferred members (former employees).

The 1977 Plan duration is an indicator of the weighted-average time until benefit payments are made. The 1977 Plan's duration is around 13 years.

The table below illustrates the profile of projected future benefit payments from the 1977 Plan. Benefits are currently bought out with an insurance company on retirement of each deferred member.

As at 31 December 2024	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
Pension benefits	8%	3%	16%	73%

Scheme B – The CNA Re Management Company Limited ("CNA Re") Retirement Benefits Plan - Funding requirements

UK legislation requires that pension schemes are funded prudently. The latest funding valuation of the CNA Re Plan was carried out by a qualified actuary as at 1 January 2023 and it showed a surplus of £1.1 million.

The Company made contributions of £nil in the year to 31 December 2024. However as a result of the valuation the Company will not pay any further annual contributions. All expenses of running the CNA RE Plan and the Pension Protection Fund levies are paid directly by the Company.

The next funding valuation will be carried out with an effective date of 1 January 2026. If the CNA Re Plan is in deficit at that time, the Company will discuss potential deficit contributions with the Trustees of the CNA Re Plan.

The Trustees use the defined accrued benefit funding method. This method is suitable for funding a scheme that is closed to future accruals.

Reporting at 31 December 2024

The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Method.

Notes to the financial statements – continued

16. Staff pension plans - continued

Main assumptions

The main assumptions are as follows:

	2024 % pa	2023 % pa
Discount rate	**5.5**	4.5
RPI inflation assumption	**3.0**	2.9
CPI inflation assumption	**2.6**	2.5
Increase in salaries	**n/a**	n/a
Life expectancy for male currently aged 65	**22.6**	22.7
Life expectancy for female currently aged 65	**24.1**	24.2
Life expectancy for male currently aged 45	**23.5**	24.0
Life expectancy for female currently aged 45	**25.2**	25.6

The mortality assumptions are based on standard mortality tables derived from the collected mortality experience of a large number of schemes. The standard tables are adjusted to allow for socio-economic analysis of the Plan's membership and for expected future improvements in mortality rates.

Scheme B – The CNA Re Management Company Limited ("CNA Re") Retirement Benefits Plan - continued

As at 31 December 2024 the 1977 Plan assets are invested in the following asset classes:

	Fair value 2024 £'000	Of which not quoted in active market 2024 £'000	Fair value 2023 £'000	Of which not quoted in active market 2023 £'000
Gilts and bonds	**10,812**	**-**	12,370	-
Cash	**112**	**-**	73	-
Total	**10,924**	**-**	12,443	-

At 31 December 2024 £nil (2023: £nil) of the fair value of scheme assets related to self-investment.

The amounts recognised on the balance sheet at 31 December 2024 are set out below:

	2024 £'000	2023 £'000
Fair value of 1977 Plan assets	**10,924**	12,443
Present value of funded defined benefit obligation	**(8,832)**	(9,999)
Net pension asset	**2,092**	2,444

Notes to the financial statements – continued

16. Staff pension plans - continued

Scheme B – The CNA Re Management Company Limited (“CNA Re”) Retirement Benefits Plan - continued

The amounts recognised in total comprehensive income are set out below:

	2024 £'000	2023 £'000
Operating cost:		
Past service cost	**-**	-
Total operating cost	**-**	-
Financing cost:		
Interest on net defined benefit asset	**(110)**	(133)
Pension expense/(benefit) recognised in profit and loss	**(110)**	(133)
Remeasurements in other comprehensive income:		
Return on plan assets (in excess of)/below that recognised in net interest	**1,850**	253
Liability (losses)/gains arising during the year	**(1,388)**	393
Total amount recognised in other comprehensive income	**462**	646
Total amount recognised in profit and loss and comprehensive income	**352**	513

Changes in the present value of the defined benefit obligation are as follows:

	2024 £'000	2023 £'000
Opening defined benefit obligation	**9,999**	9,249
Interest expense on obligation	**445**	442
Actuarial gains due to changes in demographic assumptions	**(53)**	(38)
Actuarial gains arising from experience	**(116)**	184
Net benefits paid out	**(224)**	(85)
Actuarial losses/(gains) due to changes in financial assumptions	**(1,219)**	247
Closing defined benefit obligation	**8,832**	9,999

Notes to the financial statements – continued

16. Staff pension plans - continued

Scheme B – The CNA Re Management Company Limited (“CNA Re”) Retirement Benefits Plan - continued

Changes in the fair value of 1977 Plan assets are as follows:

	2024 £'000	2023 £'000
Opening fair value of 1977 Plan assets	**12,443**	11,831
Expected return on 1977 Plan assets	**555**	575
Contributions by the employer	**-**	375
Net benefits paid out	**(224)**	(85)
Losses on Plan assets	**(1,850)**	(253)
Closing fair value of 1977 Plan assets	**10,924**	12,443

17. Share capital

	2024 £'000	2023 £'000
Allotted, called up and fully paid:		
25,520,000 ordinary shares of £10 each (2024:25,520,000)	**255,200**	255,200

Notes to the financial statements – continued

18. Technical provisions

The gross liabilities for claims reported, loss adjustment expenses and claims incurred but not reported are net of expected recoveries from salvage and subrogation.

Total technical provisions

	2024 £'000	2023 £'000
Gross		
Claims reported	**180,548**	158,886
Unallocated loss adjustment expenses	**12,056**	11,682
Claims incurred but not reported	**438,549**	414,200
Unearned premiums	**165,662**	163,124
Total gross technical provisions	**796,815**	747,892
Reinsurers' share of technical provisions		
Claims reported	**43,060**	44,936
Claims incurred but not reported	**75,948**	91,056
Unearned premiums	**27,578**	28,254
Total reinsurers' share of technical provisions	**146,586**	164,246
Net		
Claims reported	**137,488**	113,950
Unallocated loss adjustment expenses	**12,056**	11,682
Claims incurred but not reported	**362,601**	323,144
Unearned premiums	**138,084**	134,870
Total net technical provisions	**650,229**	583,646

Notes to the financial statements – continued

18. Technical provisions - continued

Movement in technical provisions

	Provision for unearned premiums £'000	Claims outstanding £'000	Total £'000
Gross			
At 1 January 2023	146,770	537,338	684,108
Foreign exchange revaluation	(1,501)	(3,982)	(5,483)
Movement in provision	17,855	51,412	69,267
At 1 January 2024	**163,124**	**584,768**	**747,892**
Foreign exchange revaluation	**178**	**508**	**686**
Movement in provision	**2,360**	**45,877**	**48,237**
At 31 December 2024	**165,662**	**631,153**	**796,815**
Reinsurance amount			
At 1 January 2023	27,702	129,586	157,288
Foreign exchange revaluation	(685)	(2,609)	(3,294)
Movement in provision	1,237	9,015	10,252
At 1 January 2024	**28,254**	**135,992**	**164,246**
Foreign exchange revaluation	**428**	**647**	**1,075**
Movement in provision	**(1,104)**	**(17,631)**	**(18,735)**
At 31 December 2024	**27,578**	**119,008**	**146,586**
Net			
At 31 December 2024	**138,084**	**512,145**	**650,229**
At 31 December 2023	134,870	448,776	583,646

The claims development tables below show CICL's estimate of the ultimate gross and net cost of claims at initial assessment and annually thereafter. Data has been compiled, and analysed, on an accident year by calendar year basis. Data from all years has been translated to the 2024 closing exchange rates to remove fluctuations caused by movements in foreign currency rates.

Each table provides a reconciliation of the CICL accident year reserves to the claims outstanding liability provided in CICL's balance sheet.

Notes to the financial statements – continued

18. Technical provisions - continued

Claims development table gross of reinsurance

Accident year	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000	2024 £'000	**Total £'000**
At end of first year	76,228	91,953	90,076	109,070	141,168	104,860	112,575	116,763	140,618	167,393	179,143	**1,329,847**
One year later	7,440	13,284	8,741	24,141	4,969	(59)	(6,621)	(8,656)	(256)	(4,951)		**38,032**
Two years later	(837)	1,979	(2,444)	4,871	(7,489)	(3,472)	(5,573)	(7,779)	(11,795)			**(32,539)**
Three years later	(874)	(57)	(28,131)	19,582	654	(4,369)	(3,833)	(11,175)				**(28,203)**
Four years later	(3,831)	(13,583)	(3,041)	872	6,348	(5,148)	(150)					**(18,533)**
Five years later	(14,003)	(3,164)	4,509	(11,715)	4,530	(4,327)						**(24,170)**
Six years later	(5,393)	1,445	3,634	24,768	(1,264)							**23,190**
Seven years later	(1,990)	(3,445)	2,824	4,032								**1,421**
Eight years later	(422)	(2,781)	(3,942)									**(7,145)**
Nine years later	(848)	1,081										**233**
Ten years later	(1,044)											**(1,044)**
Current estimate of ultimate claims	54,426	86,712	72,226	175,621	148,916	87,485	96,398	89,153	128,567	162,442	179,143	**1,281,089**
Cumulative payments to date	(51,278)	(81,157)	(57,076)	(124,996)	(116,831)	(61,526)	(53,944)	(36,700)	(44,808)	(36,429)	(12,544)	**(677,289)**
Provision as at 31 December 2024	3,148	5,555	15,150	50,625	32,085	25,959	42,454	52,453	83,759	126,013	166,599	**603,800**
Accident years prior to 2014												**15,297**
Claims handling provision												**12,056**
Technical provisions as at 31 December 2024												**631,153**

Notes to the financial statements – continued

18. Technical provisions - continued

Claims development table net of reinsurance

Accident year	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000	2024 £'000	**Total £'000**
At end of first year	65,734	90,430	76,866	95,774	105,902	83,412	88,403	91,052	114,617	135,848	143,340	**1,091,378**
One year later	10,185	5,393	11,064	27,310	4,486	2,118	(4,660)	(6,522)	(1,069)	(5,160)		**43,145**
Two years later	(3,885)	2,034	(4,481)	7,334	(5,735)	(4,092)	(2,709)	(4,842)	(2,000)			**(18,376)**
Three years later	(1,977)	(4,964)	(21,847)	983	1,210	1,767	(3,172)	769				**(27,231)**
Four years later	(1,644)	(9,869)	(5,116)	773	6,766	49	336					**(8,705)**
Five years later	(9,840)	(713)	4,136	(10,775)	3,889	(1,467)						**(14,770)**
Six years later	(6,525)	1,326	4,627	24,988	3,410							**27,826**
Seven years later	(1,291)	(2,662)	2,382	5,446								**3,875**
Eight years later	1,742	(2,791)	(3,440)									**(4,489)**
Nine years later	(925)	914										**(11)**
Ten years later	(972)											**(972)**
Current estimate of ultimate claims	50,602	79,098	64,191	151,833	119,928	81,787	78,198	80,457	111,548	130,688	143,340	**1,091,670**
Cumulative payments to date	(47,546)	(74,280)	(51,801)	(117,078)	(92,732)	(57,488)	(39,725)	(34,319)	(40,484)	(27,077)	(12,430)	**(594,960)**
Provision as at 31 December 2024	3,056	4,818	12,390	34,755	27,196	24,299	38,473	46,138	71,064	103,611	130,910	**496,710**
Accident years prior to 2014												**3,379**
Claims handling provision												**12,056**
Technical provisions as at 31 December 2024												**512,145**

Notes to the financial statements – continued

19. Provisions for other risks

	Dilapidations and refurbishment provision £'000
At 1 January 2023	254
Charged to the statement of profit or loss	14
Utilised	(75)
At 31 December 2023	**193**
Charged to the statement of profit or loss	**-**
Utilised	**(106)**
At 31 December 2024	**87**

The Company has established a provision to meet the expected obligation for property lease dilapidations and refurbishment costs in respect of leased properties. The costs relating to these will be borne over the period over which the leases expire, which is up to 5 years.

The amounts expected to be settled within and after one year are estimated as follows:

	2024 £'000	2023 £'000
Within one year	**87**	-
After one year	**-**	193
Total	**87**	193

Notes to the financial statements – continued

20. Other creditors including tax and social security

	2024 **£'000**	2023 £'000
Insurance premium tax	**8,009**	6,604
Amounts due to group undertakings	**135**	-
Other tax and social security	**4**	6
Corporation tax payable	**-**	3,818
Other creditors	**5,907**	2,376
Total	**14,055**	12,804

The carrying amounts of all items approximate fair value. All amounts are expected to be settled within one year. Group balances are repayable on demand and reflect intra-group recharges.

21. Operating lease commitments

The future minimum non-cancellable lease payments on operating leases for each of the following periods are:

	2024 **£'000**	2023 £'000
Within one year	**12**	241
Within two to five years	**-**	1,289
Total	**12**	1,530

Notes to the financial statements – continued

22. Commitments and Contingent liabilities

Institute of London Underwriters ("ILU")

Following the merger of the ILU and the London Insurance & Reinsurance Market Association to form the International Underwriting Association of London, the Company resigned its membership of the ILU on 31 December 1998. The Company had to establish a fund of £1,048,780 by way of an irrevocable letter of credit in order to meet the ILU's expected shortfall of income from the period 1999 until further notice. At 31 December 2024 the amount remaining on the letter of credit after draw downs was £294,545 (2023: £306,692).

Funds deposited with Lloyd's of London

Acting as a third party depositor under a trust deed executed on 20 January 2020, the Company deposited £37,300 (2023: £36,359) in bonds with Lloyd's as security for the underwriting activities of HUL. Fees of 3.85% (2023: 3.85%) per annum are attributable to this security and were earned by the Company on a quarterly basis. The funds pledged as Funds at Lloyd's for Lloyd's are ineligible for the purposes of calculating the Company's capital available to meet regulatory requirements.

23. Deed of Guarantee

The Company has been granted a Deed of Guarantee by CCC (the Guarantor) first effective 24 January 2002 and renewed on 1 January 2023. A similar deed of guarantee is also in place for the Company's subsidiary CICE. Under the terms of the Deed of Guarantee, CCC guarantees all liabilities that arise or have arisen under policies of insurance or contracts of reinsurance entered into by the Company, including policies or contracts entered into before 24 January 2002. The Company is charged a fee by CCC for the provision of the guarantee based on an agreed formula. The calculated charge for 2024 was £nil (2023: £nil).

The Deed of Guarantee will remain in place until 31 December 2025 unless written notice is received from S&P that the guarantee is no longer needed for the Company to maintain an S&P rating at the same level as the rating assigned to the Guarantor, or, if the majority shareholding in the Company is transferred to a corporate entity outside the CNA group which has an S&P rating equal to or better than the rating assigned to the Guarantor.

Notes to the financial statements – continued

24. Ultimate parent company

During the year and at the end of the year, the ultimate parent and controlling party and also the company which headed the largest group of undertakings for which group financial statements were drawn up and of which the Company was a member, was the Loews Corporation, a company incorporated in the United States of America.

The immediate parent undertaking of the Company is CNAE, a company incorporated in the UK and registered in England and Wales.

The parent undertaking which heads the smallest group of undertakings for which group financial statements were drawn up and of which the Company is a member, is CNAF, a company incorporated in the United States of America.

The consolidated financial statements of CNAF are available to the public and may be obtained from CNA Financial Corporation, 151 North Franklin Street, Chicago, IL 60606.

The largest parent undertaking for which group financial statements were drawn up and of which the Company is a member is Loews Corporation, a company incorporated in the United States of America.

The consolidated financial statements of Loews Corporation are available to the public and may be obtained from Loews Corporation, 667 Madison Avenue, New York, NY 10065-8087.

25. Reconciliation from UK GAAP to US GAAP

As outlined in the statement of Directors' responsibilities and Note 1, the Company prepares and presents statutory financial statements in accordance with FRS 102 and FRS 103 ("UK GAAP"). The directors have prepared a reconciliation to accounting principles generally accepted in the US ("US GAAP") to meet relevant regulatory requirements in the United States of America. This reconciliation is not required under UK GAAP or the Companies Act 2006

Reconciliation of profit/(loss) for the financial year on a UK GAAP basis to net income on a US GAAP basis

	2024 £'000	2023 £'000
Profit for the financial year on a UK GAAP basis	**45,464**	45,752
Adjustments to reconcile to US GAAP:		
Unrealised investment (losses)/gains and foreign exchange thereon included in other comprehensive income ("OCI") for US GAAP net of tax of £199,000 (2023: £724,000) - see i. below	**(1,329)**	2,815
Remeasurement of investments recorded in OCI under US GAAP net of tax of £1,372,000 (2023: £7,240,000) - see ii. and iii.below	**8,928**	(28,561)
Difference in treatment of amounts in relation to defined benefit pension scheme accounting net of tax of £111,000 (2023: £113,000) - see iv. Below	**(742)**	(440)
Other GAAP accounting differences net of tax of £1,000 (2023: £140,000) - see v. below	**(8)**	(543)
Net profit on a US GAAP basis	**52,313**	19,023

Notes to the financial statements – continued

25. Reconciliation from UK GAAP to US GAAP- continued

Reconciliation of profit/(loss) for the financial year on a UK GAAP basis to net income on a US GAAP basis - continued

i. Under UK GAAP unrealised investment gains/losses and foreign exchange differences on the revaluation of investments still held are included in profit or loss for the financial year whereas under US GAAP the foreign exchange difference upon revaluation of investments classified as available for sale is recorded within Other Comprehensive Income (“OCI”). No net asset difference arises between UK GAAP and US GAAP.

ii. Whilst the carrying value of financial investments is stated at market value under both UK GAAP and US GAAP, there are differences in the cost basis and the treatment of unrealised gains and losses. Under UK GAAP the cost basis is historic cost and both realised and unrealised gains and losses are included within profit for the financial year.

iii. Under US GAAP, the investments are classified as available for sale. Consequently, the cost basis is amortised cost with accretion and amortisation of premiums and discounts reported within net income and changes in unrealised gains of £3,082,339 (2023: gain of £3,341,344) and changes in unrealised losses of £(6,950,419) (2023: loss of £(23,470,383)), included within OCI. Upon disposal of the investments, the unrealised gains and losses are recycled to net income. An available-for-sale debt security is impaired if the fair value of the security is less than its cost adjusted for accretion, amortization and allowance for credit losses. When a security is impaired, it is evaluated to determine whether the Company intends to sell the security before recovery of amortised cost or whether a credit loss exists. Losses on securities that the Company intends to sell are recognized as impairment losses within net income. If a credit loss exists, an allowance is established, and the corresponding amount is recognized as an impairment loss within net income. As a result, no net asset difference arises between UK GAAP and US GAAP.

iv. Under US GAAP, amortisation of actuarial gains and losses are accounted for as part of the net periodic pension cost, but offset to OCI. Under UK GAAP amortisation of actuarial gains and losses are included in the statement of comprehensive income for the financial year. As a result, no net asset difference arises between UK GAAP and US GAAP.

v. Under US GAAP, Unearned Premium (“UPR”) and Deferred Acquisition Costs (“DAC”) are held at their historical rate. Under UK GAAP UPR and DAC are revalued at the current month end rate.

	2024 **£'000**	2023 £'000
Capital and reserves on a UK GAAP basis	**590,589**	547,132
Difference in valuation of investment in subsidiary	**18,523**	9,603
Other GAAP differences	**11**	106
Stockholders' equity on a US GAAP basis	**609,123**	556,841