ASPEN INSURANCE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Aspen

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THE COMPANY

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STRATEGIC REPORT

The Directors present the strategic report for the year ended 31 December 2023.

As at 31 December 2023, Aspen Insurance UK Limited ("the Company" or "AIUK") was a direct subsidiary undertaking of Aspen European Holdings Limited ("AEHL"), a wholly owned subsidiary of Aspen Insurance Holdings Limited ("AIHL"). AEHL's registered office is 30 Fenchurch Street, London, EC3M 3BD. The ultimate parent company of the Group as at 31 December 2023 was Highlands Bermuda HoldCo, Ltd. incorporated in Bermuda.

Principal activities

The principal activity of the Company continues to be the transacting of general insurance and reinsurance business in the UK, and also in Canada through the Canadian Branch. The Company continues to transact US reinsurance business on treaties written in 2021 and prior. There continue to be branches in Singapore, Australia and Switzerland, however the Singapore and Australia branches ceased writing new business in 2021, and the Switzerland branch in 2019.

Results for the year

The financial results for the Company reflect a profit before tax for the year of $101.6m (2022: loss of $178.7m). This comprised:

- an underwriting profit of $24.3m (2022: $28.9m loss);
- an investment profit of $93.3m (2022: loss of $193.4m); and
- net other losses of $16.0m (2022: $43.6m net other income).

The net underwriting profit of $24.3m (2022: $28.9m loss) reflected a $2.5m profit (2022: $12.1m profit) in the Company's insurance segment and a $21.8m profit (2022: $41.0m loss) in the reinsurance segment.

In Q2 2022 the Aspen Group closed on a ground-up Loss Portfolio Transfer ('LPT') with a wholly-owned subsidiary of Enstar, which covers all business on the 2019 and prior accident years (refer to page 7 for further details). The impact of the contract is to offset any claim reserve movements on the 2019 and prior accident years with effect from 1 October 2021. In the current year, the contract had an adverse impact of $76.2m on the underwriting profit (2022: $33.5m adverse impact) which increased the 2023 combined ratio from 65% to 87% (2022: combined ratio increased from 95% to 108%).

The insurance segment reported a profit of $2.5m (2022: $12.1m profit). Third party liability reported a profit of $7.8m (2022: $2.1m loss) as a result of both positive claims experience and a low expense ratio. Credit & suretyship reported a profit of $4.4m (2022: $3.6m loss) due to favourable run off of prior accident year reserves not covered by the LPT. Fire and other damage to property reported a small underwriting profit of $2.1m (2022: $14.2m profit). The underwriting profits in these segments was partly offset by marine, aviation and transport which reported an underwriting loss of $11.8m (2022: $3.6m profit) due to adverse reserve development in prior accident years which are not covered by the LPT.

The reinsurance segment reported an underwriting profit of $21.8m (2022: $41.0m loss). Third party liability significantly improved its result to a $18.1m profit (2022: loss of $12.4m) largely due to reserve releases on prior accident years which are not covered by the LPT. Fire and other damage to property reported a small underwriting loss of $3.0m (2022: $10.0m loss). The other lines of business in the reinsurance segment combined reported a profit of $6.7m (2022: $18.6m loss).

The net investment return of $93.3m (2022: $193.4m loss), included investment income of $54.1m (2022: $36.5m), realised losses of $10.2m (2022: $68.8m loss), and unrealised gains of $59.0m (2022: unrealised loss of $159.9m) from government and corporate bonds and other investments. The primary driver of the unrealised investment gains was decreases in interest rates causing mark to market gains on the Company's fixed income portfolio.

Other expenses of $16.0m (2022: $43.6m income) comprised largely of realised and unrealised foreign exchange losses.

Segmental results

The Company is authorised by the United Kingdom Prudential Regulation Authority ("PRA") to underwrite all eighteen classes of insurance and reinsurance business. An analysis of the technical account by segment for the years ended 31 December 2023 and 2022 is set out below.

	For the Year Ended 31 December 2023			For the Year Ended 31 December 2022		
	Reinsurance	Insurance	Total	Reinsurance	Insurance	Total
	$m	$m	$m	$m	$m	$m
Gross written premiums	100.7	327.3	428.0	252.8	335.3	588.1
Gross earned premiums	197.6	340.0	537.6	521.9	365.2	887.1
Net earned premium	115.7	73.4	189.1	276.3	78.2	354.5
Net incurred claims	(57.0)	(45.3)	(102.3)	(213.5)	(44.5)	(258.0)
Expenses	(36.9)	(25.6)	(62.5)	(103.8)	(21.6)	(125.4)
Underwriting profit / (loss) before investment income	21.8	2.5	24.3	(41.0)	12.1	(28.9)
Investment return			93.3			(193.4)
Balance on technical account			117.6			(222.3)
Net claims ratio[A]	49 %	62 %	54 %	77 %	57 %	73 %
Expense ratio[B]	32 %	35 %	33 %	38 %	28 %	35 %
Combined ratio[C]	81 %	97 %	87 %	115 %	85 %	108 %

A Net incurred claims/net earned premium
B Net expenses/net earned premium
C (Net expenses+net incurred claims)/net earned premium

The Company uses the net claims ratio, the expense ratio, and the combined ratio as measures of underwriting performance. These ratios are relative measurements that describe, for every $100 of net premiums earned, the amount of losses and loss adjustment expenses, and the amount of other underwriting expenses that would be incurred.

Balance sheet and capital position

The Balance Sheet of the Company shows total assets of $4,898.0m (2022: $5,926.2m*) and shareholder's equity of $685.1m (2022: $802.6m). Of the total assets, $1,806.9m, 37% (2022: $1,841.0m, 28%*) was represented by financial investments. During the year investments were liquidated in order to fund claims payments, as the Company's premium volumes reduced during the year. Reinsurers' share of claims outstanding decreased to $2,301.1m (2022: $2,708.4m) primarily due to lower premium volumes and the reserves running down as more claims are being paid.

Total liabilities decreased to $4,212.9m (2022: $5,123.6m*) mainly due to a decrease in claims outstanding to $2,905.7m (2022: $3,428.5m), as a result of the lower premium volumes.

The Company had Solvency II Own Funds (unaudited) of $734.7m (2022: $771.8m) as at 31 December 2023 which is represented by $618.4m (2022: $640.8m) of Tier 1 capital, $100.0m (2022: $100.0m) of Tier 2 capital, and $16.3m (2022: $31.1m) of Tier 3 capital. Tier 2 capital consists of a $100.0m letter of credit taken out by AEHL which was renewed on the 11 February 2023 until 11 February 2027. The risk margin decreased significantly during the year due to the update in the PRA guidance which lowered the cost of capital from 6% to 4%.

*The restatement is detailed in Note 26

The Solvency Capital Requirement ("SCR") (unaudited) has decreased to $257.3m (2022: $365.3m) largely due to a decrease in reserves, a reduction in the forward looking view of inflation volatility as well as run off of unearned premium reserve ("UPR") from prior years. The resulting SCR coverage ratio has increased to 286% (2022: 211%) (unaudited).

Agency ratings

Ratings with respect to claims paying ability and financial strength have become increasingly important factors in establishing the competitive position of insurance and reinsurance companies and will also impact the cost and availability of capital to an insurance company. Ratings by A.M. Best and Standard & Poor's Financial Services LLC ("S&P") represent an important consideration in maintaining customer confidence in the Company and in its ability to market insurance products. Rating organisations regularly analyse the financial performance and condition of insurers.

The Company has held an S&P rating of "A-" (Strong) since March 2020 and an A.M. Best rating of "A" (Excellent) since April 2020, both of which have been maintained throughout 2023.

Both A.M Best and S&P are widely recognised insurance company rating agencies and some policyholders are required to obtain insurance coverage from insurance companies that have an "A-" (Strong) rating or higher.

Because A.M Best and S&P continually monitor companies with regard to their ratings, the Company's ratings could change at any time. Any downgrade in the Company's ratings may impair its ability to sell insurance policies and could materially and adversely affect its competitive position in the insurance industry, future financial condition, and operating results.

Insurance segment

The core strategic focus of the insurance segment is UK commercial property and UK casualty, Canadian business written through the Canadian Branch and credit and political risk, where policies are underwritten by the Company in certain situations where required. A more detailed analysis of the business written within these classes is listed below as follows:

Specialty and casualty

The Company's specialty and casualty insurance line comprises commercial property, surety and commercial liability, credit and political risks, primary casualty, excess casualty, and environmental liability written on a primary, excess, quota share, program, and facultative basis.

- Property insurance provides physical damage and business interruption coverage for losses arising from weather, fire, theft, and other causes. The commercial team's client base is predominantly UK institutional property owners, small and middle market corporate, public sector clients, and business written through the Canadian Branch;

- The credit and political risks team writes business covering the credit and contract frustration risks on a variety of trade and non-trade related transactions, as well as political risks (including multi-year war on land cover). The Company provides credit and political risks cover worldwide;

- The surety team writes commercial surety risks, admiralty bonds and similar maritime undertakings including, but not limited to, federal and public official bonds, license and permits and fiduciary and miscellaneous bonds, focused on Fortune 1000 companies and large, privately owned companies in Canada. Since July 2020 this business has been 100% reinsured to Aspen Specialty Insurance Company ("ASIC"). This line of business discontinued from 01 September 2023;

- Commercial liability provides employers' liability coverage and public liability coverage for insureds domiciled in the UK and Ireland;

- Primary casualty consists primarily of lines written within the primary insurance sectors, focusing on insureds in hospitality, real estate, construction and products liability domiciled in Canada;

- Environmental liability primarily provides both primary and excess coverage for contractors' pollution liability and pollution legal liability across industry segments that have environmental regulatory drivers and contractual requirements including: real estate and public entities, contractors and engineers, energy contractors, and environmental contractors and consultants domiciled in Canada.

Reinsurance segment

The reinsurance segment consists of property reinsurance and casualty reinsurance. Reinsurance business reinsured from Aspen Bermuda Limited ('ABL') via a quota share arrangement is included within property reinsurance. Also included within property reinsurance and casualty reinsurance is a small amount of business written through Aspen Re America where cedants have requested AIUK paper, and Canadian branch business. Written and earned premium continues to be recognised on the balance of premiums of certain in-force policies written during 2021 and prior.

Outwards reinsurance

The decrease in gross business written through AIUK in recent years has resulted in the reinsurance spend reducing. In 2023 the reinsurance arrangements remained largely the same as for 2022 through a mixture of proportional and non-proportional reinsurance arrangements. Net retention levels remained the same as for 2022 other than for UK Commercial Property & Construction where there was an increase from £4.5m to £5m.

The LPT with Enstar continues to cover all business on the 2019 and prior accident years. The LPT provides the Aspen Group with $450m adverse development cover on Group claims reserves of $3,120.0m at the effective date of which $31m has been utilised as at 31 December 2023. Subject to this group limit any deterioration on 2019 and prior accident year claim reserves in the Company due to inflation or other reasons are fully recoverable.

The LPT operates on a cash withheld basis for four years with the Group, and the Company, paying an interest charge on the withheld funds throughout this four year period. Interest paid in the current year amounted to $8.6m (2022: $7.3m). In addition, the responsibility and expense of handling the 2019 and prior claims was transferred to the wholly-owned subsidiary of Enstar.

The whole account quota share reinsurance contract with ABL remained in place in 2023. Under the terms of this contract 70% of net earned premium and net incurred claims are ceded to ABL, except for:

- Aspen Reinsurance America ("ARA") business which is not part of the quota share but instead protected by a stop loss cover also with ABL;

- Canadian branch insurance business which is not part of the quota share, and;

- Canadian branch reinsurance business, Canadian branch credit and political risks business, and policies insured under written binders, where the cession rate is 100%.

The 100% quota share with Aspen Specialty Insurance Company ("ASIC") where certain classes of US and Canadian insurance business were written through AIUK and ceded back to ASIC was terminated on 1 September 2023.

Investments

The Company maintains the majority of its investments in high quality fixed income securities and liquidity funds. These investments, including liquidity funds, are currently managed by the following investment managers and custodians:

Blackrock Financial Management, Inc	Citibank
BNY Mellon Asset Servicing	UBS AG
CIBC Mellon	Manufacturers and Traders Trust Company
BNP Paribas	US Bank

The Company uses derivative financial instruments to manage foreign exchange risk and asset and liability matching as part of the company's strategy of efficient portfolio management.

Enterprise risk management and control framework

The Board ensures that the Company operates an effective risk management and control framework, which includes risk management, compliance, and internal control systems. The Company maintains appropriate policies, procedures, and internal controls to support the risk and control framework.

Principal risks and uncertainties

Risk management has been embedded in the management and culture of the Aspen Group since its formation in 2002. The Company, as an operating entity within the Aspen Group, operates within the Group's established risk management practices.

The key risks for the Company are currently:

- Underwriting: AIUK's specific focus on a number of specialist lines of business has allowed it to assess the impacts of the market changes, driven by the economic and geopolitical environment over the past two years and adapt accordingly. However, the potential for further volatility in these areas will continue to present challenging conditions over the coming period;

- Reserving: The economic environment has provided challenges in recent years notably in relation to the pandemic, international conflict and financial market volatility. The pandemic is now well understood and is not expected to impact the firm going forward. Exposures relating to the Russia and Ukraine conflict have been reviewed and Aspen has identified impacted policy holders and potential claims, and examined received claims. Although further claims resulting from the conflict are possible, we have made reasonable provision for all claims identified to date. Exposures are being assessed following the recent conflict seen in Israel and Gaza, however these are not expected to be material for AIUK. Notwithstanding geopolitical events, the economic environment has stabilised somewhat during 2023 . As with the rest of the industry AIUK has assessed the impacts of both economic and social inflation on the reserve adequacy of its liabilities. This has been conducted at a product and coverage level to ascertain where any reserve strengthening was required.

  The execution of a loss portfolio transfer with Enstar during 2022 has provided additional protection in terms of the reserves for all 2019 and prior years of claims. This agreement provides protection against significant deterioration of prior accident year reserves up to $450m above the group reserves held at the time of the transaction. AIUK can recover its share of losses so long as the Group reserve deterioration does not exceed $450m. Should surpluses develop on 2019 and prior accident years then these surpluses are also ceded under the loss portfolio transfer.

- Market Risk: A degree of volatility has remained in the economic environment over the past year that has impacted investment portfolios for much of the insurance industry. The consensus for the 2024 outlook is that the central banks efforts to manage economic volatility and inflation have been generally successful and that inflation has peaked and is expected to reduce towards normal historical levels during 2024. We do not therefore expect to see a continuation of sharp interest rate rises, which caused movements in the mark to market value of the assets of AIUK. While Market Risk will be very closely monitored across the coming 12 months it is not expected to create a major risk to the achievement of the AIUK plan;

- Spread Risk: The spread of a bond adjusts over time to reflect the spread required on similar new issues. This movement up or down in spread therefore contributes to overall market risk and AIUK calls this 'spread risk'. AIUK includes within spread risk the risk that a security falls in value as a result of being downgraded by a rating agency as this will cause the spread to increase. The risk of actual default on interest or redemption as a special case of spread risk is included. Spread risk is managed by limiting the overall credit quality of the investment portfolio and the concentrations of investments with specific issuers of investments. This risk is mitigated by limiting exposure to any single counterparty.

- Liquidity Risk: The Company ensures that it retains sufficient liquidity to meet its liabilities as they fall due. This is primarily achieved through cash holdings and asset selection. The Company considers and regularly reports against liquidity stress events and its risk appetite is to meet the liquidity requirements of these events.

- Operational Risk: The Aspen group has been through a transformative program of change in recent years, including the outsourcing of a number of processes and continues to work through a number of improvement projects. Changes have brought numerous improvements across the operations of the organization as a whole and will continue to do so as the change programme is completed. The significant level of change and transformation activity across the Aspen Group is driving an elevated level of Operational Risk related to process execution and administration. This is particularly relevant for financial reporting, outward reinsurance, and actuarial processes; and

- Regulatory risk: is another area of operational risk which has been elevated in recent years for AIUK. This situation continues into 2024. The regulatory relationship has been an area of focus for the management of AIUK and this has led to an improvement in the communications received from the regulatory bodies. As the management of key risks improves it is expected that the regulatory risk diminishes.

- A further area of operational risk which has been a challenge across the industry in recent years has been the retention of staff and timely recruitment. The competitive employment market remains challenging, leading to increased voluntary turnover, extended recruiting times, and higher salaries to source and retain the right people, particularly for specialised positions. Achievement of the plan is dependent on retaining key employees across underwriting and support functions. Loss of high-profile individuals or underwriting teams has the potential to impact AIUK's market standing and reputation.

Risk management approach

AIUK maintains a Risk Universe which defines the different types of risk that the Company faces and how they are monitored and measured. This framework has been applied and refined continuously and is approved each year by the Board. The Company operates an integrated enterprise-wide risk management strategy designed to deliver shareholder value in a sustainable and efficient manner while providing a high level of policyholder protection. The Company's Risk and Capital Oversight Committee provides enhanced oversight of the Company's risk management process. The execution of the Company's integrated risk management strategy is based on:

- The establishment and maintenance of an internal control and risk management system based on a three lines of defence approach to the allocation of responsibilities between risk accepting units (first line), risk management activity and oversight from other central control functions (second line), and independent assurance (third line);

- Identifying material risks to the achievement of the Company's objectives including emerging risks;

- The articulation at Group and Company level of the risk appetite and a consistent set of key risk limits for each material component of risk;

- Measuring, monitoring, managing and reporting risks and trends;

- The use, subject to an understanding of its limitations, of the Internal Model to test strategic and tactical business decisions and to assess compliance with the Risk Appetite Statements; and

- Stress and scenario testing, including reverse stress testing, designed to help the Company better understand and develop contingency plans for the likely effects of extreme events or combinations of events on capital adequacy and liquidity.

On 5 December 2015, the PRA approved the Company's Internal Model, which AIUK uses within its integrated risk management system, to calculate its Solvency II Regulatory Capital Requirement ("SCR") (unaudited). The Internal Model is updated regularly and in March 2023 AIUK received approval from the PRA for its major change application in relation to improvements including the modelling of credit risk, the modelling of the benefit of the LPT within reserve risk and an update to the UK Model Change Policy.

Risk appetite

In order to meet the expectations of its equity stakeholder, AIUK aims to maintain a level of profitability consistent with the Group return targets set out in the Group Risk Appetite statement, taking into account the contributions of other subsidiaries. AIUK also aims to generate sufficient distributable income to allow it to contribute its share of funding for the debt and dividend obligations of the Aspen Group. The AIUK risk appetite and risk management process is aimed at ensuring that these objectives are met. The Risk Appetite statement approved by the Board articulates the Risk Appetite to which AIUK adheres.

In addition to the high-level Risk Appetite statement, the Company has established a set of Key Risk Limits covering exposures to natural and man-made catastrophe events, market risks, credit risks and operational risks. These are monitored and reported against to the Risk and Capital Oversight Committee on a quarterly basis.

The main risks faced by the Company can be split between core risks and non-core risks. The Risk Appetite distinguishes between core risks and non-core risks.

- Core risks: AIUK actively has appetite for insurance risk and financial market risk. These are considered core risks, which are assumed as part of the value creation strategy. These core risks are actively sought in cases where:
    - there is a thorough understanding of how risks can be measured and managed;
    - the potential risk accumulation arising from both additional exposures and the dependencies between risk categories are understood and can be controlled;
    - AIUK is adequately remunerated for the risk it takes; and
    - there is appropriate alignment of interests between AIUK and its stakeholders.

AIUK has an appetite for insurance risk across the diversified non-life insurance lines of business in all major geographical markets as determined within the remit provided to it by the wider Aspen Group. Similarly, AIUK has an appetite for financial market risk across a diversified range of investment types and strategies. AIUK's appetite for core risks is further detailed in the business plans (including investment plans) approved annually by the Board.

- Non-core risks: All other risks to the business are non-core risks. Non-core risks will be minimized through a range of options, where cost effective and reasonable to do so (e.g. mitigation does not result in an unacceptable level of risk in other areas).

As stated above Non-Core Risks which are not actively taken are managed through a variety of mechanisms which are available to the firm. These are outlined below:

- Avoid – AIUK will avoid the risk where possible, and where possible this will be managed through eliminating the cause of the risk;

- Mitigate – processes will be put in place to minimise the probability of the risk occurring or minimising the impact of the risk event once it occurs;

- Transfer – AIUK will transfer the risk where it is not appropriate for the Company to retain and is unable to mitigate it to an appropriate level; and

- Accept – accept the risks that are not transferable, or economically viable to mitigate.

Where risks are part of the ongoing activities of the business and have the potential to harm the capital position or ongoing viability of the Company, these will be reviewed as part of the risk appetite process.

Climate change

AIUK covers climate change risk in the risk framework and is developing the approach as part of a wider Aspen initiative. This group wide review will look at the various regulatory requirements on financial disclosures, policy and capital. Work is ongoing in respect to product impact assessments and asset implications based upon climate factors.

Climate change may have a material adverse effect on the Company's operating results and financial condition if the Company were not to adequately assess and price for any increased frequency and severity of weather events resulting from these environmental factors.

Climate change may also give rise to new environmental liability claims in sectors where our insurance customers are active.

Given the scientific uncertainty of predicting the effect of climate cycles and climate change on the frequency and severity of catastrophes and the lack of adequate predictive tools, the Company may not be able to adequately model the associated exposures and potential losses in connection with such catastrophes which could have a material adverse effect on the Company's business, financial condition, or operating results.

AIUK is most directly exposed to Climate Change physical risks through Property and Specialty underwriting. Our view is that physical risk over the shorter-term is mitigated to an acceptable level by the short-term nature of relevant policies, allowing for continuous reviews and monitoring of exposure levels and also through the reinsurance we purchase to protect our balance sheet from the impacts of extreme events. Natural-catastrophe perils are modelled and monitored on a quarterly basis through the Board Risk and Capital Oversight Committee and relevant sub-committees. Limits are in place for these exposures and an established governance and reporting system in place.

The investment portfolio and credit and political risk underwriting exposures may be materially adversely affected by global climate change impacts and regulation. The continuous monitoring of AIUK's portfolio indicates that the exposure to organisations with fossil fuel assets is minimal.

The Company provides credit and political risk insurance to banks and other institutions providing lending to government and private organisations. In some cases, the lending relates to private organisations involved in the energy sector or governments or government agencies which are dependent on fossil fuels for their revenue. A material change in the asset value of fossil fuels may therefore materially adversely affect the Company's exposures to credit and political risk.

Stakeholder engagement

Stakeholder engagement continues to be an area of focus for AIUK and the Company's holding company Aspen Insurance Holdings Limited ("AIHL") and its subsidiaries ("the Aspen Group").

Engagement with stakeholders informs the decision making throughout the organisation. At a strategic level, methods of engagement can vary depending on the issue and the business unit involved. Senior leaders regularly and actively participate in regulatory and industry forums, listening to the perspectives of brokers, employees, policyholders and suppliers. Specific examples of the key stakeholder engagement undertaken at different levels within the Company to inform decision-making and enhance Board understanding are set out below:

(Re)insurance customers/brokers

The Aspen Group provides insurance and reinsurance services to many domestic and international organisations.

The Company's (re)insurance partners, customers and brokers expect clear and transparent information and a prompt and effective claims handling service they can rely on. Regular engagement with brokers provides a better understanding of customer needs and helps to both ensure and deliver appropriate policy coverage and a high quality claims handling service. More broadly, the Company takes account of the current and future needs of (re)insurance customers, and this is one of the key issues in its stakeholder engagement generally.

Employees

The Aspen Group employs approximately 1049 permanent people globally, of which 522 people are in the UK.

The majority of the Company's staff are employed by Aspen Insurance UK Services Limited ("AIUKS") whilst the Zurich Branch of the Company employs one member of staff. The staff employed by AIUKS support Aspen Group activities which may or may not include those directly related to AIUK, and other Aspen entities. The Company's initiatives are managed by AIUKS employees by way of an Intra Group Service Agreement.

AIUKS aims to be an employer of choice, and continuously looks at ways to improve the experience of its employees. The success of Aspen depends on the shared talent, skills and values of its employees. The Company's values include overt statements about seeking out and listening to feedback from employees and customers. One method of acquiring feedback is by deploying annual employee engagement surveys.

Shareholders

The Aspen Group is committed to delivering long-term value for its shareholders.

The Aspen Group is a privately owned organisation and as such there is increased engagement with shareholders. Shareholders' interests are represented on the Board of the Aspen Group holding company, AIHL. The Group CEO and Chairman is responsible for driving shareholders' objectives and ensuring that strategy throughout the Group is consistent with shareholders' objectives.

The Company's investment plans continued to be reviewed throughout the year to ensure appropriate returns for shareholders.

Corporate Social Responsibility

The Aspen Group has a number of permanent staff committed to continually implementing new initiatives to support global and local charities, and drive climate change initiatives through:

- Corporate partnership with international and development organisations; and
- Promoting a culture of local and collaborative volunteerism.

Local communities

The Company places importance on its responsibilities to the communities in which it operates.

The Aspen Group is committed to supporting the communities in which it operates, including local businesses, charities and the wider public. Aspen engages with groups that focus on environmental, social and educational related issues on behalf of society. Two-way relationships with the Company's charity partners, also provide opportunities for different parts of the business to unite around a common cause.

Regulatory bodies

Effective communication with regulators is a key aspect of the Company's engagement activity.

Regulators play a central role in shaping the insurance sector. Engagement is especially important in working to modernise compliance, regulatory, and legal risk management programs to meet oversight and monitoring expectations. Aspen works constructively with UK regulators to protect the long-term interests of (re)insurance customers and keep pace with industry standards as a whole.

AIUK continues to consistently engage with the PRA and FCA to improve the understanding of these regulators across a number of areas including governance, risk management and internal control mechanisms. This work will be maintained in 2024 as AIUK continues to develop and improve these aspects of the business.

The annual Group Supervisory College is conducted in which regulators from the various jurisdictions meet to discuss the following items:

- the changes in management undertaken within the Aspen Group;
- a focus on total value creation;
- key milestones;
- business results in connection with market conditions and the impact, strategic initiatives, underwriting position and financial performance;
- liquidity position across the Aspen Group;
- plans to reduce financial threats on the Group performance;
- balance sheet simplification, and;
- a more robust approach to governance and decision making.

Senior management (in conjunction with the Company's Compliance department) have maintained consistent and ongoing communication with various regulators such as the PRA and FCA to explain organisational changes.

The Company's Board of Directors are regularly updated as to the capital position of the organisation through the quarterly Chief Risk Officer report. The Company's Board are able to determine the current level of capital buffer against their own predetermined risk appetite levels. The Board agree the most suitable level of capital buffer for the entity on an annual basis given the current requirements and predicted business for the coming 12 months. This is then monitored and managed appropriately throughout the year with the aim of ensuring the Company has an adequate buffer above the regulatory requirement.

Suppliers and contractors

Effective management of the supply chain is critical to the overall success of the Company.

Aspen relies on its supply chain and sourcing to provide services to AIUK. The majority of services are provided via Aspen Group and are covered within the group Intragroup Services agreements which include appropriate Critical Service Levels and Key Performance Indicators to align with AIUK's objectives.

The Aspen Group aims to build strong relationships with suppliers and third party contractors to maximize cost efficiencies, technology, strategies and transformation /change programmes.

The Company's Supply Chain and Sourcing (Procurement) function support the business in working through the due diligence evaluation ensuring a consistent approach is taken to the evaluation of all new suppliers or third parties. During the contract renewal process the Company updates it's records and reassesses due diligence and required provisions.

Where there may be any impact on suppliers or third parties as a result of organizational change, they are informed of relevant changes at an early stage to ensure any impact on the supply or services delivered is understood and any potential disruption to Aspen or its customers is minimized.

The Company monitors the quality and timeliness of services provided by suppliers or third-party providers to ensure compliance with regulatory and legislative requirements (such as the Modern Slavery Act and the FCA & PRA outsourcing provisions contained in the Senior Management Arrangements, Systems and Controls Sourcebook) and PRA SS2/21.

Employee engagement

Aspen continued to recognise the importance of clear and timely communication from the Executive Committee and senior leaders, and during 2023 increased two-way communication opportunities. These features are in addition to existing regular global and local Town Halls, with questions always invited and responded to. These supplement weekly corporate newsletters as well as ad hoc email notifications as appropriate. The Ask the CEO mailbox continues to be publicised and utilised, and all questions and comments receive timely responses.

The success of the Company depends on the collective talent, skills and values of its employees. Accordingly, the Company is committed to employee engagement at all levels. Examples of employee engagement initiatives during 2023 are set out in the below sections.

Providing employees systematically with information on matters that concern them

Executive management circulate "Corporate Communication" emails whenever there is a key change to the business and its operations, personnel or the insurance market. These emails are comprehensive and frequent. Additionally, regular local and Group town hall meetings take place at which information is shared by the relevant senior leader. Each Town Hall involves an interactive Q&A component where employees are encouraged to raise questions. Satisfaction with communication is monitored in the annual employee survey. In 2023, this noted material improvement in this area.

Consulting employees on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interest

The UK Employee Forum (UKEF) co-chaired by the AIUK CEO and Head of HR Business Partners provides a formal means to consult with employee representatives from the various business areas. The forum presents updates and ideas to employees as well as listen to their views and any concerns. Representatives are able to raise ideas and questions with senior management and consider their responses.

An employee engagement survey was conducted across Aspen Group in September 2023 with results communicated to the business. The survey indicated high levels of engagement and significant progress across a range of topics at Group level. This was also the case for UK colleagues who reported strong confidence in Aspen as a business, positive experience of Aspen as an employer and significant progress across a range of areas including development opportunities and recognition. Teams were supported to create action plans that responded to their local issues, in addition to corporate plans. Activities included:

- Increased opportunities to engage directly with Executive Directors, including informal lunches hosted by individual executives for a cross section of colleagues from all functions and levels;
- The launch of regular "In the Hotseat" virtual sessions in which Executives answer questions on any topic raised by employees;
- Team and function offsites attended by Executives that allow teams to reflect, plan and build relationships;
- Informal events such as lunches, DE&I and CSR activities;
- Increased number of CSR activities; and
- Town Halls and other communication and engagement activities that responded directly to key issues raised in the survey, setting out the plans to address them.

The Aspen Group continued to embed culture as set out in the Group's Values and Behaviours. Actions to further strengthen a values-driven culture in 2023 included:

- Placing values as a foundational element in leadership programmes;
- Creating a new, second rating into the annual performance management process to measure and reward behavior as well as achievement against objectives;
- Creating new Culture Champions who provide insight and deliver activities to embed the Company's values;
- Continuing to link values to communications messaging; and
- Refresh Aspen's employer brand externally so that candidates who share Aspen's values are attracted.

Employee engagement in change

In 2023 the Aspen Group has fulfilled the following activities to engage employees in change:

- The Aspen Group always follows appropriate legislation when undertaking change exercises, including obligations to consult in the UK;
- Feedback and response: employees are invited to provide feedback in a confidential environment on strengths and areas for development so that local leaders can target critical issues. Local action planning sessions following the engagement survey allows teams to identify and address issues that are most relevant to them;
- Group Innovation Competition encourages employees to propose client-facing improvement/revenue-generating schemes; and
- New Culture Champions provide input to support teams to make and communicate change effectively.

Achieving common awareness of the financial and economic factors affecting Aspen's performance

Actions included:

- Ensuring that Aspen's employees are fully aware of and actively engaged in the business is a key component of its refreshed culture;

- Aspen Group delivers quarterly all-staff updates and announcements and encourages feedback on the key financial and economic conditions affecting the Aspen group;

- The Group Chief Strategy Officer ran a series of roadshows on Aspen's strategy in 2023. This session is now built into induction for all new joiners;

- In 2023 a new bi-weekly email communication to all people managers was launched which flags key issues for managers to action and/or communicate to their teams;

- The Corporate Communications and Town Hall meetings (as referred to above) throughout 2023 were the key medium to communicate such updates, however each department's Line Manager is responsible for discussing performance issues with the employees within their team;

- The Aspen Group runs a range of training and development programmes including sessions on understanding the financial and economic context of the activities of the business. Local teams also host or participate in events in which colleagues from elsewhere in the business or external speakers provide insights into specific functions or factors that influence Aspen's performance; and

- These activities are in addition to the increased number and type of in person and virtual events with senior leaders, as set out above.

Diversity, Equity and Inclusion ("DE&I")

The Aspen Group continued to implement its DE&I strategy in 2023. It has built a governance model for increasing diversity and inclusion that is led by Executive Sponsors and has a clear annual activity plan to attract and develop a more diverse workforce and build an inclusive culture. This work is monitored by the DE&I Delivery Board which in turn reports to the Group Executive Committee.

As part of the Aspen commitment to DE&I and the development of an inclusive workforce Aspen works with charities and other organisations to bring people from different backgrounds into Aspen, for example ex-military veterans. Aspen also specifically targets certain groups through the graduate recruitment program and internship program. The direct involvement of employees in this work is a foundational element of the Company's approach, and in 2023 it successfully established Employee Resource Groups for gender and race/ ethnicity. These groups support delivery of the Company's DE&I strategy through a range of initiatives which include:

- Employee resource groups for gender, race and ethnicity ran a significant number of events including guest speakers, panel discussions and learning sessions on issues such as overcoming gender bias in insurance, men and childcare, allyship and overcoming unconscious bias;

- Aspen Group CEO attended a joint meeting of the UK Employee Resource Group's ("ERG") to hear views and answer questions;

- Refreshed and relaunched Breakthrough (a programme for ExCo members to sponsor women at mid-level in the business);

- Reviewed and refreshed In My Shoes, a reverse mentoring programme;

- Ran a campaign to improve self-reporting of ethnicity resulting in 85% completion in the UK;

- Continued the highly successful graduate and internship programmes which consciously encourage applications from women, people from diverse ethnic backgrounds and people who are first in their families to go to university;

- Continued ex-military veteran internships, which have resulted in a number of permanent appointments;

- For the first time, Aspen employees spoke at an event as part of the global Dive In festival of DE&I in insurance; and

- Aspen was shortlisted for a DE&I award for work on early careers.

Section 172(1) statement

In the course of the year, the Board of Directors ("the Board") complied with Section 172(1) of the Companies Act 2006 ("s.172") by having regard to the following in all its principal decision making:

- The long-term consequences of any of its decisions (see the Stakeholder Engagement section within the Strategic Report above);

- The interests of its employees (see the Employee Engagement section within the Strategic Report above);

- The Company's business relationships with its suppliers, customers and others (see the Suppliers and Contractors section in the Strategic Report above);

- Community and environment (see the Local Communities and Climate Change sections in the Strategic Report above and the Streamlined Energy & Carbon Reporting Disclosure in the Directors' Report);

- Reputation and business conduct (see the Enterprise Risk Management and Control Framework section in the Strategic Report above); and

- The need to act fairly between members of the Company.

s.172 (f) does not apply to the Company as it is a wholly owned subsidiary of AEHL as set out in the Strategic Report.

In each case, the Board carefully considered the long-term consequences of each of these decisions by discussing with, and challenging Management, on the consequences of any decisions on its key stakeholders (see Directors' Report below), the Company's reputation, and the impact on its culture and conduct, including ensuring compliance with regulatory duties, for example in relation to Consumer Duty.

A key responsibility of the Board is to review the solvency of the Company on a realistic stressed basis for the foreseeable future. The Board regularly considers whether:

- There is effective leadership on risk issues;

- The risk culture across the organisation is appropriate and in alignment with shareholder's objectives;

- The remuneration strategy encourages excessive risk taking;

- All material risks have been identified and accurately assessed;

- Any risks that are outside the Company's Risk Appetite are identified and escalated and are being actively managed to bring the risk back within appetite;

- Mitigation action is timely and appropriate;

- Material risks are being controlled through an effective, efficient and comprehensive control environment;

- The Company's policies and initiatives are appropriate and adhered to; and
- The business is meeting its regulatory responsibilities.

The Board also reviews all reporting disclosures on the system of internal control to ensure that they are appropriate, and satisfies itself that:

- The financial statements of the Company present a true and fair view and are in accordance with the agreed accounting policies;
- Key judgements and disclosures are appropriate;
- It continues to be appropriate to prepare the financial statements on a going concern basis; and
- Risk issues are adequately reflected in the financial statements.

The importance of the Company's stakeholders is outlined in more specific detail above, however examples of key decisions taken by the Board during 2023 include:

- The approval of the payment of two dividends of $100m each to the parent company AEHL; and
- Approval of the decrease in the ABL inwards quota share percentage from 20% to 15% from 1 January 2024.

The Company is firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the business. The Board recognises that effective governance is key to the implementation of strategy for the Company's shareholder and wider stakeholders. As a UK general insurer, the Company is familiar and comfortable with the corporate governance practices expected of it and the legislation applicable to Public Interest Entities. The Company also complies fully with the corporate governance requirements of the Companies Act 2006, the Companies Miscellaneous Reporting (Regulations) 2018 and Financial Services and Markets Act 2000 (and regulations made thereunder) applicable to it as a result of its (re)insurance business.

By order of the Board

Christopher Jones
Director
05 April 2024

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 31 December 2023.

Principal activity

The principal activity of the Company continues to be the transacting of general insurance and reinsurance business in the UK as well as Canada through the Canadian Branch.

The reinsurance business written in 2023 includes a small amount of business written by ARA where cedants have requested AIUK paper and Canadian branch business. The inwards quota share of all business written by ABL also continued throughout 2023. Written and earned premium continues to be recognised on the balance of premiums of certain in-force policies written during 2021 and prior.

The core strategic focus of the insurance segment going forwards is UK Property and Casualty, Canadian business written through the Canadian Branch, and Credit and Political Risk, where policies will be underwritten by AIUK in certain situations where required.

Results and dividends

The results for the year are set out in the accompanying profit and loss account. The profit before tax for the year was $101.6m (2022: loss $178.7m). The Directors regard the current state of affairs of the Company and its future prospects as satisfactory. Dividends of $200m (2022: $nil) were paid during the year to the Company's only shareholder AEHL.

Financial instruments

On 19 June 2023 the loan of $100.0m to Aspen Holding UK Limited ("AHUK") was reassigned to AEHL, as consideration for a dividend payment to AEHL. Refer to the risk and capital management note (note 2) for information on financial risk management objectives and policies.

Directors and Directors' interests

The Directors of the Company at the date of this report are set out on page 3. Changes in Directors during 2023 and up to the date of this report are as follows:

	Date of appointment	Date of resignation
Michael Duffy	01 February 2023	
Robert Moorehead-Lane		31 August 2023
Richard Milner		17 January 2024

According to the Register of Directors' interests, no Director had a disclosable interest in the shares of the Company, and no Director had been granted or had exercised any right to subscribe for such shares during the period under review.

Directors' and officers' liability insurance

The Company has maintained insurance to cover directors' and officers' liability during the period and up to the date of these financial statements as defined by section 236 of the Company Act 2006.

Employees

The Company has no employees of its own in the UK. The majority of the Company's UK personnel are employed by Aspen Insurance UK Services Limited ("AIUKS"). AIUKS is a fellow subsidiary of Aspen Insurance Holdings Limited ("AIHL"). The Company's activities are serviced by AIUKS employees by way of an Intra Group Service Agreement. AIUKS encourages its employees to develop their full potential by providing opportunities for training and professional development. Such opportunities, as well as career development and promotion, are equally available to disabled employees, whether newly recruited or existing employees who become disabled whilst in AIUKS's employment.

AIUKS's equal opportunities policy aims to ensure that no potential or existing employee receives less favourable treatment because of his / her / their sex, actual or perceived sexual orientation, gender (including gender reassignment), marital or family state, age, ethnic origin, disability, race, colour, nationality, national origin, creed, political affirmation, part-time status, or any other condition, unless it can be shown to be legally justifiable. Refer to the 'Employee Engagement Statement' on page 14 for further details on engagement with suppliers, customers and others in a business relationship with the Company.

Corporate governance

The Company has embedded a corporate governance framework which is based on the Wates Corporate Governance Principles for Large Private Companies which facilitates effective Board decision-making. The Board applied the following principles to demonstrate effective governance:

- **Principle 1: purpose and leadership**

The Company has:

- a clearly defined purpose which is set out in the results for the year section of the Strategic Report. Its strategy is consistent with its shareholder's objectives; the Company is committed to building a strong, fit for purpose business that produces top quartile results with the appropriate governance, risk management, underwriting performance analysis and structure to support the business. The company is a focussed UK based platform primarily underwriting a small number of historically profitable insurance products that require UK company paper; and

- implemented a strong and positive culture which is defined by its values. The Company's values are embedded within the Group's Code of Conduct and supplemented by other Group policies and in 2023 the values are being built into the employee annual performance process. Key activities in 2023 included surveys, Town Hall events, off-site employee conferences, and that employees are invited to nominate colleagues for a Values Champion award.

For further details, see the Strategic Report and www.aspen.co/careers/.

- **Principle 2: Board composition**

The Company has:

- an appropriate make-up of the Board of Directors who have sufficient and relevant knowledge and experience to understand the key activities and risks involved in the business model; and

- a strong culture of diversity, equity and inclusion underpinned by its DE&I strategy which is monitored at Group level.

Currently the Board comprises of five Non-Executive Directors and one Executive Director in total and it considers its size and the diversity of its composition to be appropriate for the size of the Company.

The Board carried out an internal Board effectiveness review (including its committees) for the year ending 2023 and implemented an action plan during 2023. Actions in 2023 included enhancing strategic opportunities and ESG reporting to the Board. The action plan has been monitored to completion by the Nominations and Governance Committee.

The Non-Executive Directors ('NEDs') undergo appraisals and a Board skills assessment annually.

- **Principle 3: Director responsibilities**

The Board recognises the value of robust, effective governance and the benefits this brings to all stakeholders. It has established an appropriate governance structure supported by documentation and processes clearly articulating how the Company operates.

Conflicts of Interests are managed in accordance with the Conflicts of Interests policy.

The Board's independent non-executive Directors provide independent challenge, oversight, diversity of thought and experience as well as meeting regulatory expectations. It operates in accordance with its duties and responsibilities and matters reserved, as listed in its terms of reference ("ToR"). The Company has a separate Chair and Chief Executive Officer, the division of responsibilities for which are set out in the Board ToR.

There is a clear delegation of authority from the Board to its committees, the Chief Executive Officer and the UK executive management team in accordance with the respective ToR. Standing committees include the Audit, Risk & Capital Oversight, Remuneration, and Nominations Committees. The Governance Committee meets on an ad-hoc basis, as required.

The Board and its committees meet quarterly, with ad-hoc meetings scheduled as necessary. There are effective reporting and monitoring processes in place to obtain information from Management and assurance functions. Directors receive reports in advance of meetings to provide adequate time for review.

The Directors review and monitor management information in respect of the Company's day-to-day activities through reporting to the Board and its committees from the Finance, Underwriting, Risk, Claims, Operations, Investment, Compliance, Legal and Actuarial functions to ensure that an appropriate control environment exists across the Company.

The Company has an appropriate UK executive with suitable knowledge, experience, and capability and which are allocated with specific management responsibilities to provide for effective authority and efficient decision-making.

NEDs receive internal training on a variety of topics in accordance with an annual schedule of training. All relevant Directors and senior management received training relating to their Senior Managers and Certification Regime ('SM&CR') responsibilities.

- **Principle 4: opportunity and risk**

The Board has established appropriate internal control mechanisms across the business. There is a suitable 'three lines of defence' model in place to provide adequate oversight to advise on suitable risk management and internal control frameworks and to assess the efficacy of the control frameworks in place. This is supported by governance processes to challenge and provide feedback and escalate decisions as appropriate to prevent poor or conflicted decision-making or mismanagement.

The Company's Risk Management framework is the basis through which it protects its franchise value and seeks to enable sustained profitability. The framework aligns the risk strategy to capital, process, people, technology and knowledge in order to evaluate and manage business opportunities, uncertainties and threats in a structured and disciplined manner ensuring that risk and capital implications are considered when making strategic and operational decisions.

The Board's Chief Risk Officer advises the Board on risk matters including the assessment of risk appetite and monitoring of risk against that appetite. The Board reviews its risk appetite and internal control framework regularly in the context of the Company's business.

The Board annually reviews and approves the proposed Business Plan and the Chief Executive Officer is responsible for reporting new material business opportunities to the Board, in accordance with the Board ToR. The 2024 Business Plan was approved in December 2023.

For further details, see the Strategic Report and the Section 172 statement.

- **Principle 5: remuneration**

The Board's Remuneration Committee, of which the membership consists solely of Non-Executive Directors, provides independent oversight of remuneration policies and decisions that impact employees of the Company and provides oversight of compliance with all applicable UK remuneration regulatory requirements, including those that have implications for risk and risk management. In addition, the Remuneration Committee is responsible for the review and approval of remuneration for all Executive Directors, as well as any Solvency II covered employees.

The Remuneration Committee ensures there is appropriate accountability and sound incentives to protect shareholders, policyholders, and other stakeholders such as employees.

The Company believes that when the business does well, employees should benefit. Employees are offered discretionary bonuses that are based on individual contribution and company performance.

For further details on compensation, see note 9 to the financial statements.

- **Principle 6: stakeholder relationships and engagement**

The Company's material stakeholders are its (re)insurance customers/ brokers, employees, shareholders, regulatory bodies, suppliers and contractors, and local communities.

The Board is committed to engaging appropriately with its material stakeholders and to consider any feedback received in making any principal decisions.

For further details, including how the Company operates in the wider world, see the Stakeholder Engagement section in the Strategic Report and www.aspen.co/careers/.

Going concern

The Directors evaluate at each annual period whether there are conditions or events, considered in aggregate, that cause a material uncertainty about the ability of the Company to continue as a going concern for the period up until 30 April 2025.

This assessment takes into account severe but plausible downside scenarios including the likely impact on the Company's solvency and liquidity position of potential loss events which are notably more severe than anything in the Company's recent experience. This is supplemented with sensitivities in respect of adverse movements in interest rates and credit spreads impacting the investment portfolio. The analysis performed indicates that the Company remains solvent and retains sufficient liquidity and headroom above the minimum regulatory capital requirements even under the severe downside scenarios.

The Company continues to monitor closely the ongoing conflicts in Ukraine and Russia. Current gross and net loss exposure estimates do not project losses in excess of the reverse stress testing which has been undertaken, and exposures from the investment portfolio has been assessed and concluded to be immaterial. Exposures are also being assessed in relation to the Israel and Gaza conflict. AIUK has no direct investments related to Israel or Gaza and does not expect there to be material underwriting exposures.

At the year end the Company reported a solvency ratio of 286% (2022: 211%), well in excess of the internal target. No events have occurred since the year end up to the date of approving the financial statements to indicate there may be a material deterioration in the solvency of the Company.

The Directors confirm that they are satisfied that the Company has adequate resources to continue in operation and meet its liabilities as they fall due for a period up until 30 April 2025. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Political donations

There were no political donations made during the year (2022: nil).

Streamlined energy and carbon reporting disclosure

Emissions are collated over a 12-month period from 1 January 2023 to 31 December 2023 and where necessary are calculated by converting consumption data into tonnes of carbon equivalent (tCO2e) using the UK's Department for Business, Energy and Industrial Strategy ("BEIS") 2019 factors as well as the Department for Environment, Food and Rural Affairs ("DEFRA") 2023 emission data.

The Company is committed to reduce its energy consumption. The Company leases space in LEED or EnergyStar certified facilities, has installed smart electricity meters and selects renewable energy providers through electric utility programs.

In 2023, the Company continued to receive carbon emission data using an external firm called Furthr. Their report uses energy consumption levels from the property management company to calculate energy usage. Other energy emission indicators include business travel and hotel stays. Scope 1 and scope 2 emissions have decreased as there has been an improved usage efficiency in the London office of gas and electricity. Scope 3 emissions have increased mainly due to an increase in scope to include purchased goods and services, capital good as well as an increase in employee business travel in 2023.

The total square footage of all the Company's office facilities in the UK was 63,857 square feet (2022: 63,857 square feet). The Company's total global emissions for 2023 was calculated by Furthr to be 1,101.8 (2022: 612.4) metric tonnes of CO2e (carbon dioxide equivalent). Work is ongoing to establish the scale of the purchase of the actual offset credits and programs.

	2023 (CO2 tonnes)	2022 (CO2 tonnes)
Emissions from combustion of gas tCO2e (Scope 1) [A]	31.7	58.1
Emissions from purchased electricity (Scope 2, location-based) [B]	32.2	76.5
Emissions from purchased good and services, capital goods, employee business travel and other which the Company does not own or control and where not responsible for purchasing the fuel (Scope 3) [C]	950.7	477.9
Energy consumption used to calculate above Scope 1 and 2 emissions (kWh)	328,918	706,800
<u>Intensity ratio</u>		
Total tCO2e per Full-Time Employees (FTE) [D]	1.9	1.3

[A] Scope 1 covers GHG emissions from gas purchased for own use

[B] Scope 2 covers GHG emissions from electricity purchased for own use

[C] Scope 3 covers indirect emissions from business travel. Business travel for these purposes comprises of global flights and ground transport.

[D] Intensity ratio calculations have been calculated using location-based emission factors only. FTE's represent UK employees employed by AIUKS

Future developments

The Company will continue as a core entity in the Aspen group. While its focus will remain on delivering a quality service level to the policyholders and brokers of its predominant UK property and casualty business in support of the ongoing strong performance of this portfolio, it is also well placed to write credit and political risk and other products both in the UK and through the Company's Canadian branch. At the same time the Company will continue to adjust its internal operations and corporate structure relating to the business previously written in other geographies and product lines. These future developments on internal operations will reflect the reducing level of claims liabilities following the range of recent portfolio changes that have moved parts of the Company's underwriting activities to other companies within the Aspen group.

Events after the reporting period

The Company is working towards a capital restructure whereby ordinary share capital will be transferred to capital contribution in stages to free up dividend capacity.

The ABL inwards quota share agreement will reduce from 20% to 15% from the period starting 01 January 2024. This will result in a reduction in GWP of approximately $20m in 2024.

Statement of disclosure of information to the Company's auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By Order of the Board

Christopher Jones
Director
05 April 2024

30Fenchurch Street
London, UK
EC3M 3BD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 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:

a. select suitable accounting policies in accordance with *Section 10 of FRS 102* and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
d. provide additional disclosures when compliance with the specific requirements in FRS 102 and FRS 103 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
e. state whether applicable UK Accounting Standards, including FRS 102 and FRS 103, have been followed, subject to any material departures disclosed and explained in the financial statements; and
f. 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 and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company 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.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and Directors' Report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASPEN INSURANCE UK LIMITED

Opinion

We have audited the financial statements of Aspen Insurance UK Limited (the 'Company') for the year ended 31 December 2023, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 26 (except for the sections of note 1.2 which are marked as '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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" ("United Kingdom Generally Accepted Accounting Practice" or "UK GAAP").

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 are 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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:

- confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers the period to 30 April 2025;
- evaluating the solvency and liquidity position of the company by reviewing relevant projections for the company;
- evaluating the financial strength of the parent company to provide support if needed;
- evaluating the reasonableness of management's forecasts to understand the severity of downside scenarios that would result in the elimination of solvency and liquidity headroom – including the actions available to management to mitigate the impact of such scenarios;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern – including the existence of subsequent events that may have a material impact on the business; and
- assessing the appropriateness of the going concern disclosures compared to management's assessment and ensuring compliance with the relevant reporting requirements.

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 to 30 April 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Valuation of gross and net Incurred but Not Reported (IBNR) reserves • Complexity of outwards reinsurance
Materiality	• Overall materiality of $13.6 million which represents 2% of net assets.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed.

We took a centralised approach to auditing certain processes and controls, as well as the substantive testing of specific balances. These centralised audit procedures were performed by our US and Bermuda teams based on our assessment of materiality. This comprised audit work over i) invested assets (Bermuda) ii) certain internal ceded reinsurance amounts (Bermuda) iii) transactions arising as a result of the inwards quota share arrangement with ABL (Bermuda) and iv) legacy transactions relating to the administration of the ARA reinsurance business (US).

Climate change

Stakeholders are increasingly interested in how climate change will impact Aspen Insurance UK Limited. The company has determined that the most significant future impacts from climate change, which are explained on page 11 of the Strategic Report. These disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements – with a particular focus on evaluating management's assessment of the impact of physical and transition risks and the resulting conclusion that there was no material impact from climate change.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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. These matters included 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of gross and net IBNR	Our response to the risk	Key observations communicated to the Audit Committee
Gross IBNR – 31 December 2023: $1,503.3m (2022: $1,737.0m) **Net IBNR – 31 December 2023 $326.2m (2022: $309.1m)** *Refer to the accounting policies (page 40 – 42); and Note 18 of the Financial Statements (page 74)* One of the most significant financial statement risk areas from both a business and an audit perspective is the valuation of IBNR loss reserves. These reserves are inherently uncertain and subjective by nature and therefore are more susceptible to fraud or error than other financial statement balances. A small error or manipulation of an assumption could have a significant impact. The assumptions used to develop the IBNR loss reserves involve a significant degree of judgement. Our testing focused on the following key areas: • the risk of incorrect or inappropriate assumptions used in determining loss reserves, such as initial expected loss ratios and development profiles; • the risk that IBNR loss reserve estimates in respect of catastrophe event including the Ukraine war, and other large losses, as well as classes of business which are inherently uncertain such as speciality lines are not reasonable; and • other key areas of judgement including allowances for excess and social inflation (i.e., allowances in respect of rising costs of insurance claims). **There has been no change in our assessment of risk from the prior year**	As part of our audit procedures, we have performed the following in conjunction with our actuarial specialists: • performed a walkthrough to assess the design and implementation of key controls over the valuation and recording of IBNR reserves • assessed and challenged the reserving methodology by comparing the company's reserving methodology on both a gross and net of reinsurance basis with industry practice and understanding the rationale for key differences. • performed independent re-projections of IBNR on a sample basis applying our own assumptions across certain classes of business and comparing these to management's results. • challenged and assessed whether the assumptions such as inflationary trends applied to key areas of uncertainties are appropriate based on our knowledge of the company, industry practice and regulatory and financial reporting requirements. • benchmarked catastrophe and large losses and assumptions used in inherently uncertain classes where there is a lack of historical data against other comparable industry participants to challenge and assess the reserving assumptions used. • performed a high-level review of the approach adopted by management across the remaining booked reserves. • confirmed that the ceded reserves have been correctly calculated by considering the methodology and assumptions applied and re-performing a sample of calculations based on the underlying treaty terms and conditions. • confirmed the completeness and accuracy of data used as an input to the actuarial reserving process by reconciling it in the aggregate to source (i.e., sub-ledger) and performing sample tests of policy attributes to supporting documentation.	Taken as a whole, we consider that management's judgements are reasonable based on the information available. We have considered the uncertainties within the basis, and we are satisfied that the booked gross and net IBNR reserves lie within a reasonable range of estimates.

Complexity of outwards reinsurance	Our response to the risk	Key observations communicated to the Audit Committee
Outwards reinsurance premiums – 31 December 2023: $313.7m (2022: $484.0m) **Creditors arising out of reinsurance operations – 31 December 2023: $819.0m (2022: $955.9m)** **Debtors arising out of reinsurance operations – 31 December 2023: $314.4m (2022: $478.6m)** **Reinsurer's share of claims paid – 31 December 2023: $553.2m (2022: $679.0m)** **Reinsurer's share of outstanding claims (case reserves) – 31 December 2023 $1,124.0m (2022: $1,280.4m)** *Refer to the accounting policies (page 40 to 43); and notes 13, 16 and 18 of the Financial Statements (respectively pages 72, 73 and 74)* Reinsurance accounting is complex due to the extensive use of multi-line quota share agreement and excess of loss contracts within the program which are coordinated by the Group's centralised reinsurance department and allocated to the company. We consider the integrity of the models to be critical to the determination of the company's ceded reinsurance amounts – particularly given the extent of manual intervention in the process and the reliance on out of model calculations. In addition, the production process is critically contingent on the accuracy and completeness of the data inputs applied. **There has been no change in our assessment of risk from the prior year.**	As part of our audit procedures, we have: • performed a walkthrough to assess the design and implementation of key controls within the outwards reinsurance process. • confirmed that outwards reinsurance premiums had been correctly calculated by vouching a sample of transactions from the general ledger to the calculation files (including the sub-ledger) and underlying contract. • confirmed that reinsurance recoveries on paid and outstanding claims had been correctly calculated by vouching a sample of calculations (including out of model calculations) to the underlying contract. • confirmed that the Group allocation methodology had been applied as intended in determining ceded reinsurance amounts recorded by the company. • verified the veracity of the balance sheet management process implemented to reallocate cash payments or receipts which are posted in the first instance to a suspense account via re-performance on a sample basis. • confirmed the completeness and accuracy of data used as an input to the calculation of ceded reinsurance amounts to supporting documentation on a sample basis.	We determined based on our procedures performed that the manual calculation models used for ceded reinsurance reporting purposes are reasonable. We also determined that the data inputs applied to these models are materially complete and accurate. Accordingly, we are satisfied that the company's ceded reinsurance amounts is correctly stated.

In the prior year, our auditor's report included a key audit matter in relation to revenue recognition (comprising both the determination of estimated premium income and non-standard earning profiles). As a consequence of the underwriting portfolio review undertaken by management in recent years and subsequent decrease in the quantum of estimated premium income, our assessment is that revenue recognition is no longer a key audit matter.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be $13.6 million (2022: $16.4 million), which is 2% (2022: 2%) of net assets. We believe that net assets provide us with the most appropriate benchmark given its relative stability and correlation with economic capital (Solvency II) which is a key focus area for the users of the financial statements.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely $6.8m (2022: $8.2m). We have set performance materiality at this percentage due to the higher likelihood of misstatements occurring given prior period experience and out knowledge of the control environment.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.7m (2022: $0.8m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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 directors' report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

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 directors' report.
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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 25, 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.

Explanation as to what extent the audit was considered 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the regulators of the regulated business carried out by the company, which include the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We understood how Aspen Insurance UK Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the company and the regulatory bodies, reviewed minutes of the Board and its committees and gained an understanding of the company's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- Based on this understanding we designed our audit procedures to identify non-compliance with both direct and other laws and regulations. Our procedures involved: making enquiry of those charged with governance and senior management as to their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inquiring about the company's methods of enforcing and monitoring compliance with such policies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures, and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. The fraud risk was considered to be higher within the valuation of gross and net IBNR reserves and revenue recognition.

  Our audit procedures in respect of the presumed risk of fraud and error included:

  - Reviewing accounting estimates for evidence of management bias;
  - Evaluating the business rationale for significant and/or unusual transactions; and
  - Testing the appropriateness of journal entries recorded in the general ledger.

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

Other matters we are required to address

- We were appointed by the Board of Directors by a written resolution on 1 August 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 December 2022 to 31 December 2023.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

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:

Ernst & Young LLP

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Benjamin Gregory (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

06 April 2024

PROFIT & LOSS: TECHNICAL ACCOUNT - GENERAL BUSINESS

For the Year Ended 31 December 2023

	Notes	2023	2022
		$m	$m
Gross premiums written	3	**428.0**	588.1
Outward reinsurance premiums		**(313.7)**	(484.0)
Net premiums written		**114.3**	104.1
Change in the provision for unearned premiums			
Gross amount	18	**109.6**	299.0
Reinsurers' share	18	**(34.8)**	(48.6)
Earned premiums net of reinsurance		**189.1**	354.5
Allocated investment return transferred from the non-technical account		**93.3**	(193.4)
Total technical income		**282.4**	161.1
Claims incurred net of reinsurance			
Claims paid			
Gross amount		**(792.7)**	(792.0)
Reinsurers' share		**553.2**	679.0
		(239.5)	(113.0)
Change in the provision for claims			
Gross amount	18	**565.1**	254.6
Reinsurers' share	18	**(427.9)**	(399.6)
Claims incurred net of reinsurance	4	**(102.3)**	(258.0)
Net operating expenses	6	**(62.5)**	(125.4)
Total claims and expenses		**(164.8)**	(383.4)
Balance on the technical account - general business		**117.6**	(222.3)

The results for the years ended 31 December 2023 and 2022 are derived from continuing operations.

The notes on pages 38 to 78 form part of these financial statements.

PROFIT & LOSS: NON-TECHNICAL ACCOUNT

For the Year Ended 31 December 2023

	Notes	2023	2022
		$m	$m
Balance on technical account general business		**117.6**	(222.3)
Investment income	7	**54.1**	36.5
Realised losses on investments	7	**(10.2)**	(68.8)
Unrealised gains/(losses) on investments	7	**59.0**	(159.9)
Investment expenses and charges	7	**(9.6)**	(1.2)
Allocated investment (gain)/loss transferred to the general business technical account	7	**(93.3)**	193.4
Other (expense)/income	5	**(16.0)**	43.6
Profit/(loss) before tax		**101.6**	(178.7)
Tax (charge)/credit on profit/loss	10a	**(19.1)**	17.7
Profit/(loss) after tax for the financial year		**82.5**	(161.0)

The results for the years ended 31 December 2023 and 2022 are derived from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023	2022
		$m	$m
Profit/(loss) for the financial year		**82.5**	(161.0)
Total comprehensive profit/(loss) for the year		**82.5**	(161.0)

The notes on pages 38 to 78 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2023

2023	Notes	Called up share capital	Capital contribution reserve	Profit and loss account	Total
		$m	$m	$m	$m
Opening shareholders' equity	20	**614.9**	**655.0**	**(467.3)**	**802.6**
Dividends paid	20	—	—	**(200.0)**	**(200.0)**
Total comprehensive profit for the year		—	—	**82.5**	**82.5**
Closing shareholders' equity		**614.9**	**655.0**	**(584.8)**	**685.1**

2022	Notes	Called up share capital	Capital contribution reserve	Profit and loss account	Total
		$m	$m	$m	$m
Opening shareholders' equity	20	614.9	655.0	(306.3)	963.6
Total comprehensive loss for the year		—	—	(161.0)	(161.0)
Closing shareholders' equity		614.9	655.0	(467.3)	802.6

On 19 June 2023 the loan of $100.0m to Aspen Holding UK Limited was reassigned to AEHL, as consideration for a dividend payment to AEHL. On 08 December 2023 a second dividend of $100m was declared and paid to its parent AEHL.

The profit and loss account reserve is the aggregate of both the retained earnings and the foreign currency translation reserve.

The notes on pages 38 to 78 form part of these financial statements.

BALANCE SHEET - ASSETS

AS AT 31 DECEMBER 2023

	Notes	2023	*Restated 2022
		$m	$m
Investments			
Other financial investments	12	**1,806.9**	1,841.0
Deposits with ceding undertakings		**28.4**	29.5
		1,835.3	1,870.5
Reinsurers' share of technical provisions			
Provision for unearned premiums	18	**73.4**	104.6
Claims outstanding	18	**2,301.1**	2,708.4
		2,374.5	2,813.0
Debtors			
Debtors arising out of direct insurance operations - intermediaries	13	**138.2**	121.3
Debtors arising out of reinsurance operations	13	**314.4**	478.6
Amounts due from fellow group undertakings	15	**55.0**	417.0
Other debtors	13	**37.6**	56.2
		545.2	1,073.1
Other assets			
Tangible fixed assets	11	**—**	0.5
Cash at bank and in hand	14	**79.7**	87.2
		79.7	87.7
Prepayments and accrued income			
Accrued interest and rent		**9.4**	9.6
Deferred acquisition costs	17	**53.9**	72.3
		63.3	81.9
TOTAL ASSETS		**4,898.0**	5,926.2

*The restatement is detailed in Note 26

The notes on pages 38 to 78 form part of these financial statements.

BALANCE SHEET - EQUITY AND LIABILITIES
AS AT 31 DECEMBER 2023

	Notes	2023	*Restated 2022
		$m	$m
Capital and reserves			
Called up share capital	20	**614.9**	614.9
Capital contribution reserve	20	**655.0**	655.0
Profit and loss account		**(584.8)**	(467.3)
Shareholders' equity		**685.1**	802.6
Technical provisions			
Provision for unearned premiums	18	**268.6**	371.5
Claims outstanding	18	**2,905.7**	3,428.5
		3,174.3	3,800.0
Creditors			
Creditors arising out of direct insurance operations	16	**60.4**	26.4
Creditors arising out of reinsurance operations	16	**819.0**	955.9
Amounts due to fellow group undertakings	15	**101.6**	276.5
Other creditors	16	**18.8**	18.0
		999.8	1,276.8
Accruals and deferred income	19	**38.8**	46.8
TOTAL LIABILITIES		**4,212.9**	5,123.6
TOTAL EQUITY AND LIABILITIES		**4,898.0**	5,926.2

*The restatement is detailed in Note 26

These financial statements were approved by the Board of Directors on March 25, 2024 and signed on its behalf:

Christopher Jones
Director
05 April 2024

The notes on pages 38 to 78 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. Accounting policies

1.1 Statement of compliance

Aspen Insurance UK Limited (the "Company") is a company limited by shares, incorporated, domiciled in the UK and registered in England & Wales. The Registered Office is 30 Fenchurch Street, London EC3M 3BD.

These financial statements were prepared in accordance with Financial Reporting Standard 102: the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 ("FRS 103"), being applicable UK GAAP accounting standards and in accordance with Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

These financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

1.2 Basis of preparation

The financial statements for the year ended 31 December 2023 were approved for issue by the Board of Directors on 25 March 2024.

The presentation currency of these financial statements is US dollars. Given the Company has net assets of over $685.1m the Company considers it appropriate to present all amounts in the financial statements to the nearest $0.1m. The Company's parent undertaking AIHL includes the Company in its consolidated financial statements. The consolidated financial statements of AIHL are prepared in accordance with US GAAP, available to the public and may be obtained from 141 Front Street, Hamilton, Bermuda. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the group's consolidated financial statements, includes the Company's cash flows (3.17(d));
- from disclosing share based payment arrangements concerning its own equity instruments. The group's share based payment arrangements and relevant disclosures are presented in the group's consolidated financial statements (26.18(b), 26.19 to 26.21 and 26.23);
- from disclosing the Company key management personnel compensation, as required by FRS 102 (33.7); and
- from disclosing transactions entered into between two or more members of a group (33.1A).

Equivalent disclosures have been made in the consolidated financial statements of Aspen Insurance Holdings Limited ('AIHL'). The group financial statements of AIHL are available to the public and can be obtained from the Company's registered office.

Climate change

In relation to climate change, since responses to it are still developing, it is not possible to consider all possible future outcomes when determining asset and liability valuations, and timing of future cash flows, as these are not yet known. Nevertheless, the current management view is that reasonably possible changes arising from climate risks would not have a material impact on asset and liability valuations at the year-end date.

Going concern

The Directors evaluate at each annual period whether there are conditions or events, considered in aggregate, that cause a material uncertainty about the ability of the Company to continue as a going concern for a period up until 30 April 2025.

This assessment takes into account severe but plausible downside scenarios including the likely impact on the Company's solvency and liquidity position of potential loss events which are notably more severe than anything in the Company's recent experience. This is supplemented with sensitivities in respect of adverse movements in interest rates and credit spreads impacting the investment portfolio. The analysis performed indicates that the Company remains solvent and retains sufficient liquidity and headroom above the minimum regulatory capital requirements even under the severe downside scenarios.

The Company continues to monitor closely the ongoing conflict in Ukraine and Russia. Current gross and net loss exposure estimates do not project losses in excess of the reverse stress testing which has been undertaken, and exposures from the investment portfolio have been assessed and concluded to be immaterial.

At the year end the Company reported a solvency ratio of 286% (2022: 211%) (unaudited), well in excess of the internal target. No events have occurred since the date of approval of the financial statements to indicate there may be a material deterioration in the solvency of the Company.

The Directors confirm that they are satisfied that the Company has adequate resources to continue in operation and meet its liabilities as they fall due for the period up until 30 April 2025. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Restatement

During 2023, the Company reassessed its classification of an amount of $15.8m of ceded DAC that was being mapped to DAC and incorrectly netting down the gross DAC amount. Due to the nature of the nominals and to be consistent with Group mappings the ceded DAC was mapped to accruals and deferred income in 2023. Refer to Note 26.

Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates, and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the Company's key sources of estimation uncertainty and judgment:

Insurance and reinsurance contract technical provisions

For insurance and reinsurance contracts estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date, for claims both gross and net of reinsurance recoveries. It can take a significant period of time before the ultimate claims can be established with certainty and for some types of policies IBNR claims form the majority of the liability in the Balance Sheet. The estimation of IBNR is discussed further under section 1.3.1 - Insurance Contracts. Refer to Note 18 for further details of the IBNR.

Provision for unearned premiums and deferred acquisition costs

For (re)insurance contracts management use their judgement in selecting appropriate earnings patterns for the business underwritten and associated acquisition costs, in particular for contracts where the pattern of loss emergence is likely to be markedly uneven. Patterns are calculated (determined) with reference to the inception and expiry dates of the policies concerned and the likely pattern of loss emergence using the same underlying considerations that apply to the technical provisions, taking into consideration information provided by cedants on loss emergence where appropriate. Refer to notes 17 and 18 for further details of the DAC and UPR respectively.

Taxation

The Company establishes provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by tax authorities.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Refer to note 10 for further details.

1.3 Significant accounting policies

1.3.1 Insurance contracts

Gross premiums

Gross written premiums comprise total premiums receivable for the whole period of cover entered into in the reporting period plus any adjustments to such premiums receivable in respect of business written in prior reporting periods. All premiums are shown gross of commissions payable to intermediaries and exclusive of taxes and levies. Estimates are made for pipeline premiums, representing amounts due to the Company not yet notified. Revisions to estimates are recognised as they arise.

Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon paid losses and case reserves.

Reinsurance premiums

Reinsurance premiums relating to reinsurance placed by the Company are accounted for using the same accounting methodology used for inwards premiums.

Acquisition costs

Acquisition costs comprise commissions and costs that are directly related to the acquisition of new and renewal (re)insurance contracts. Ceding commissions receivable on outwards reinsurance contracts are derived either from outwards reinsurance premiums or as a contribution towards the company's operating expenses (including net acquisition costs) depending on the terms and conditions of the contract. Acquisition costs and ceding commissions are recognised within net operating expenses.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

(Re)insurance claims are recognised when the related gross (re)insurance claim is recognised according to the terms of the relevant contract.

Technical provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums, and provisions for unexpired risk.

Claims provision

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. 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.

In estimating the cost of these claims, the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The liability is not discounted for the time value of money.

For (re)insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported to the Company, at the reporting date. 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 more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of uncertainty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assume that 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.

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

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

- Initial expected loss ratio ("IELR") method: this method calculates an estimate of ultimate losses by applying an estimated loss ratio to an estimate of ultimate earned premium for each accident year;
- Bornhuetter-Ferguson ("BF") method: the BF method uses as a starting point an assumed IELR and blends in the loss ratio implied by the claims experience to date by using benchmark loss development patterns on paid claims data ("Paid BF") or reported claims data ("Reported BF");
- Loss development ("Chain Ladder"): this method uses actual loss data and the historical development profiles on older accident years to project more recent, less developed years to their ultimate position; and
- Exposure-based method: this method is used for specific large typically catastrophic events such as a major hurricane. All exposure is identified and the Company works with known market information and information from the Company's cedants to determine a percentage of the exposure to be taken as the ultimate loss.

The Company establishes a provision for unallocated loss adjustment expenses ("ULAE") when the related reserve for claims and claim expenses is established. ULAE are expenses that cannot be associated with a specific claim but are related to claims paid or in the process of settlement, such as internal costs of the claims function. The determination of the ULAE is subject to judgement.

In addition to these methodologies, the Company's actuaries may use other approaches depending upon the characteristics of the line of business and available data.

Refer to Note 18 for further disclosures on claims provisions.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date, and are computed separately for each (re)insurance contract. Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned insurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unearned premiums are deemed monetary items and non-US dollar amounts are valued using the closing exchange rate.

Unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

There were no unexpired risk provisions in 2023 (2022: $nil).

Reinsurance assets

The Company cedes (re)insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Any impairment loss is recorded in the profit and loss account.

Retroactive reinsurance

Retroactive reinsurance agreements are reinsurance agreements under which a reinsurer agrees to reimburse the Company as a result of past insurable events. On initial recognition the reinsurance premiums payable for coverage are offset by an adjustment to reinsurance recoveries – with any profit or losses arising as a result of a shortfall or excess respectively in the premium payable compared to the reinsured reserves being recognised in the profit and loss account. At each reporting date thereafter, any movement in the reinsured reserves will be offset by an equal and opposite adjustment to reinsurance recoveries up to the policy limit (if applicable). Remeasurement gains and losses are recognised within net incurred claims.

If required by the contract a funds withheld liability is established on inception which is equal to the ceded premium based on the fair value of the assets retained on the balance sheet. At each reporting date thereafter, the funds withheld liability is accounted for on an amortised cost basis and re-measured based on the quantum of the reinsured paid claims (with periodic settlement of the liability by the Company).

Profit commission

Profit commission is generally accrued in the profit and loss account in accordance with the earned profit.

(Re)insurance receivables

(Re)/insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of (re)insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the profit and loss account.

(Re)insurance payables

(Re)/insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. (Re)insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired. Where applicable, (re)insurance payables include the funds withheld liability which is established on inception of a reinsurance contract (including retroactive reinsurance).

1.3.2 Financial instruments

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments to account for all of its financial instruments.

The Company classifies its financial assets into the following categories: debt securities and other fixed income securities, short term investments, derivative assets held at fair value through profit and loss, and loans and receivables. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

A financial asset is classified into this category if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by Management to minimise any measurement or recognition inconsistency with associated liabilities.

Financial assets designated as "fair value through profit and loss" at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Company's investment strategy is to invest in listed and unlisted fixed interest rate debt securities, designated upon initial recognition at fair value through profit or loss.

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

The fair values of financial instruments that are not traded in an active market, are established by the Directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take place between market participants.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the profit and loss account within 'unrealised gains on investments' or 'unrealised losses on investments' in the period in which they arise.

Derivatives are held for trading and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial liabilities

Other financial liabilities relate to derivatives which are designated at fair value through profit and loss, and classified in accruals and deferred income. Creditors are also financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest rate method. For short term creditors (due within one year), no discounting is applied.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled, or expires.

Loans and receivables - amount due from group undertakings

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss. When a financial asset is recognised initially it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Loans and receivables are subsequently measured at amortised cost using the effective interest method. This basis of valuation is viewed by the Directors as having prudent regard to the likely realisable value.

Impairment of financial assets

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. The observable data could be adverse

changes in the payment status of issuers or debtors in the group, or national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account for the period. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Investment return

Investment return comprises all investment income (which includes the interest income for financial assets carried at fair value through profit and loss), realised investment gains and losses, and movements in unrealised gains and losses, net of investment expenses, charges, and interest payable on financial liabilities carried at amortised cost, using the effective interest method.

Dividends are recognised when the investments to which they relate are declared 'ex-dividend' and include the imputed tax. Interest income is recognised on a time proportionate basis taking into account the effective interest method. Interest income, interest payable, and dividend income are recognised in the profit and loss account.

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

All investment returns on investments supporting the general (re)insurance technical provisions and associated equity is made from the non-technical account to the technical account.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Collateral

The Company receives and pledges collateral in the form of cash or non-cash assets in respect of reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Company receives collateral depends on an assessment of the credit risk of the counterparty. All collateral received and held in Trust by third parties is not recognised in the balance sheet, unless the counterparty defaults on its obligations under the relevant agreement. All collateral pledged is retained in the balance sheet, unless the Company defaults on its obligations under the relevant agreement.

Refer to note 2 for further details regarding collateral pledged and received.

1.3.3 Foreign currency

The US dollar is the functional currency and presentational currency of the Company due to the nature of its operations in the UK and the US. The Company also operates through a number of discrete overseas branches in Switzerland, Australia, Singapore and Canada, however these branches do not have separate functional currencies.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange differences arising on translation are recognised in the non-technical account.

1.3.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is charged to the profit and loss account at rates calculated to write off the cost less the estimated residual value of tangible fixed assets by equal installments over their estimated useful economic lives as follows:

• Office and Other Equipment	25% per annum
• Hardware and Software[1]	33.3% per annum
• Underwriting Platform, Subscribe	20% per annum
• Leasehold Improvements	Lesser of 15 years or remaining life of lease

[1] Depreciation for software commences on the date that the software is brought into use.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.3.5 Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholder.

1.3.6 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. In determining whether it is probable that deferred tax assets will be recovered, the Company takes into consideration its business plans and forecasts to assess the likely reversal pattern of temporary differences. In reaching a judgment about recoverability, the Company have considered the likelihood that specific elements of the business plans or forecasts will be achieved. More detail is provided in note 10c.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules.

This amendment was issued in response to the Pillar Two framework issued by the Organisation for Economic Co-operation and Development, which aims to ensure that large multinational enterprises pay a minimum effective corporate tax rate of 15% on the income arising in each jurisdiction in which they operate. The amendment introduces a mandatory temporary exemption from recognising and disclosing deferred taxes arising from the Pillar Two rules. AIUK has applied this exemption in jurisdictions in which legislation has been substantively enacted.

1.4 Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.5 Deferred acquisition costs

Acquisition costs are deferred as at the balance sheet date to the extent that they are attributable to premiums unearned and are expected to be recovered out of future margins in revenue. All other acquisition costs are expensed as incurred. Deferred acquisition costs are amortised over the period in which the related premiums are earned. Ceding commissions are deferred as at the balance sheet date to the extent that they are derived from outwards reinsurance premiums. Ceding commissions deferred as at the balance sheet date are included within accruals and deferred income.

Deferred acquisition costs and deferred ceding commissions are deemed to be monetary items and are valued using the closing rate.

1.6 Cash

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

1.7 Debtors

Debtors comprise amounts receivable in the normal course of business. Debtors are initially recognised at transaction price, and where applicable are subsequently measured at amortised cost using the effective interest rate. Debtors are derecognised when the contractual rights to receive cash flows from the financial asset expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership.

1.8 Creditors

Creditors comprise amounts due in the normal course of business. Creditors are initially included at transaction price, and where applicable are subsequently measured at amortised cost using the effective method rate.

Accrued expenses are expenses recognised in the balance sheet when they are incurred, not when they are paid.

1.9 Deposits with ceding undertakings

Deposits with ceding undertakings arise as a result of premiums retained by the insured in certain jurisdictions on reinsurance business accepted. Deposits with ceding undertakings are measured at cost less allowance for impairment.

1.10 Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

1.11 Finance costs

Finance costs comprise interest paid and bank charges and are recorded in the period in which they are incurred.

1.12 Other debtors and creditors

Other debtors comprise largely of deferred tax assets (see deferred tax accounting policy note), sundry debtors which comprise of receivables due from the sale of financial instruments and cash held with Third Party Administrators (see debtors accounting policy note).

Other creditors comprise mainly of forward currency derivatives which are valued at fair value.

2. Risk and capital management

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets, and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are insurance risk, market risk (including interest rate risk and currency risk), credit risk, and liquidity risk.

The key risks for the Company are as set out in the Principal Risks and Uncertainties section within the Strategic Report.

(a) Risk governance and risk management strategy

The Board of Directors of the Company ("the Board") considers effective identification, measurement, monitoring, management and reporting of the risks facing the business to be key elements of its responsibilities. The Board ensures that the Company operates an effective risk management and control framework which includes risk management, compliance, and internal control systems. The Board uses a risk sub-committee to support the oversight of the Company's risk management processes.

The Company, as an operating entity within the Aspen Group, benefits from the Group's established risk management practices. The Group's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Further details on the Group wide risk management strategy can be found in the consolidated financial statements of AIHL which are available to the public.

(b) Capital management objective, policies and approach

AIUK's capital risk appetite is based on the objective to maintain a capital position in normal operating conditions that is sufficient to absorb a large loss and to continue operations.

AIUK seeks to optimise capital efficiency by writing well-diversified business across geographic regions and business segments, and by transferring risk to the capital markets and/or via traditional reinsurance when it is cost effective to do so. The Company has defined its internal model as an integrated framework to support its objectives by managing risk and capital across the business.

AIUK will maintain a level of qualifying capital that meets the Internal Model SCR regulatory requirement based on the latest version of the Internal Model approved by the PRA in March 2023. AIUK will maintain additional levels of capital to provide a buffer over and above the Internal Model SCR regulatory requirement. The agreed upon buffer is approved by the AIUK Board Risk and Capital Oversight Committee and has been maintained throughout the year. Included in Tier 2 capital is a $100.0m letter of credit taken out by AEHL which was renewed on the 11 February 2023 until 11 February 2027.

For the internal capital measure the available capital is Solvency II Own funds (unaudited). However, when assessing available Solvency II Own Funds (unaudited) the adjustment the Company makes for restricted/ring fenced funds is the minimum capital that would be required assuming any in progress management actions are completed. At no point during 2023 did AIUK's capital position fall below its regulatory or internal capital requirements. Refer to the Strategic Report for the Solvency II own funds breakdown and the coverage ratio.

(c) Insurance risk

Insurance risk is defined as the risk that underwriting results vary from their expected amounts, including the risk that reserves established in respect of prior periods are understated. Insurance risk includes the following:

a. Underwriting risk: The variation of accident year technical result from its expected value. Underwriting risk can be further split into sub-categories including:

    - Catastrophe accumulation risk: the risk that losses from natural catastrophes exceed expected levels;

- Pricing calibration risk: the risk that actual technical results differ from expected values as a result of invalid assumptions, methodology, or parameters used in the pricing process;
- Large claims risk: the risk that losses from a single man-made event, or group of related events, exceed the expected levels;
- Attritional risk: the risk that the total of all losses other than catastrophe and large losses exceeds the expected level; and
- Reinsurance mitigation risk: the risk that gross losses are not reduced by reinsurance recoveries to the extent expected.

b. Reserving risk: the variation in policyholder reserves for prior accident years.

Processes for addressing and monitoring risk

AIUK models exposure to underwriting and reserving risks using its Internal Model to measure the associated capital requirements on the Solvency II SCR (unaudited) regulatory basis. Modelling of insurance risk exposure is a key process for monitoring and managing insurance risk.

The UK Reserving Risk Policy and Aspen Group Underwriting Risk Policy evidence how Aspen manages the risk of loss or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions. The Group Underwriting Risk Policy requires and defines the use of Aspen Underwriting Principles ("AUPS") or Underwriting Guidelines for each underwriting team. The Group Pricing Standard which establishes the Underwriting Guidelines set out a series of key principles translated into specific guidelines, requirements, processes and management controls, the compliance with which is mandatory for all underwriters. The Pricing Policy Document ("PPD") sets out a series of standards and principles to apply to all business underwritten.

Underwriting risk is also managed through the purchase of outwards reinsurance. The Company benefits from scale in outwards reinsurance purchasing by participating on group reinsurance programmes including the LPT. The Company also benefits through a significant quota share protection from its fellow subsidiary ABL (see Note 23).

The Group Claims Risk Policy sets out the core risk management requirements for the claims process. The UK Platform Claims Procedures apply to claims handling in respect of AIUK claims. It covers the full claims cycle and is supported by a range of detailed procedures. It includes specific considerations in respect of the handling of AIUK claims.

The Insurance Risk policy defines Aspen's approach to management of material risk concentrations by categorising those risks, setting tolerances and limit, measuring, monitoring, reporting and escalating natural catastrophe and non-natural catastrophe accumulations. This includes the approach to managing the risk that gross losses are not reduced by reinsurance recoveries to the extent expected.

A key part of the approach to managing insurance risk is the LPT with Enstar which covers all business on the 2019 and prior accident years. This contract ensures that the Company is substantially covered against deterioration on the 2019 and prior accident years effective from 1 October 2021 for losses up to a Group deterioration of $450m. Subject to this Group limit, any deterioration on 2019 and prior accident year claim reserves in the Company due to inflation or other reasons are fully recoverable.

The Key Risk limits are monitored and reported in the UK Chief Risk Officer's report to the AIUK Risk and Capital Oversight Committee.

Material risk concentrations

AIUK has limited its exposure to material risk concentrations by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposures, so they are managed within key risk limits. The material risk concentrations managed via Key Risk limits include natural catastrophe risks (such as hurricanes, earthquakes, and flood damage) and man-made catastrophic events (such as acts of war, acts of terrorism, and losses resulting from political instability). The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile and escalation of deviations from plan.

Sensitivity of insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being written and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported. A 5% increase or decrease in net claims liabilities would have the following effect on profit or loss and equity would be after tax:

Year ended 31 December	**2023**		2022	
($ in millions)	**5% Increase**	**5% Decrease**	5% Increase	5% Decrease
P&L Impact	**(30.2)**	**30.2**	(22.4)	22.4
Equity Impact	**(23.1)**	**23.1**	(18.1)	18.1

The impact of a 10% increase or decrease in the net claims ratio would have the following effect on profit or loss and equity:

Year ended 31 December	**2023**		2022	
($ in millions)	**10% Increase**	**10% Decrease**	10% Increase	10% Decrease
P&L Impact	**(18.9)**	**18.9**	(35.5)	35.5
Equity Impact	**(14.5)**	**14.5**	(28.8)	28.8

Claims development table

Reserves are required owing to the time between the occurrences, reporting, and eventual settlement of a loss, which, for some lines of business, can be several years. Since reserves are an estimate of the likely outcome of these future events, they are subject to a degree of volatility. That is, the actual emergence of ultimate losses can be expected to differ, perhaps materially, from any estimate of such losses. The users should be aware that loss payment and loss reporting patterns are not the only considerations in establishing loss reserves.

In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. The following tables show an analysis of incurred claims and allocated loss adjustment expenses and net of reinsurance as at 31 December 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014. The loss development triangles are derived from all business written by the Company, as although a limited number of contracts are written which have durations of greater than one year the contracts do not meet the definition of a long duration contract.

Gross insurance contract claims incurred as at 31 December 2023:

Accident year	Before 2014 $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	Total $m
Estimate of cumulative claims incurred												
At end of accident year		784.5	883.2	884.3	1,225.8	1,075.9	901.0	863.2	833.4	572.7	308.9	
One year later		803.9	834.4	1,148.3	1,252.4	1,190.9	1,128.9	865.9	853.8	582.4		
Two years later		798.5	816.0	1,156.7	1,307.1	1,193.7	1,102.6	799.0	839.2			
Three years later		764.2	774.2	1,133.9	1,293.3	1,198.8	1,109.8	781.0				
Four years later		759.3	824.1	1,157.8	1,269.0	1,161.7	1,100.1					
Five years later		777.0	815.4	1,159.2	1,287.6	1,134.4						
Six years later		763.9	820.6	1,165.9	1,301.2							
Seven years later		758.9	796.3	1,162.0								
Eight years later		755.5	795.9									
Nine years later		799.4										
Current estimate of cumulative claims incurred	**7,786.5**	**799.4**	**795.9**	**1,162.0**	**1,301.2**	**1,134.4**	**1,100.1**	**781.0**	**839.2**	**582.4**	**308.9**	**16,591.0**
Cumulative gross claims payments in the reporting year	**7,392.3**	**677.6**	**687.5**	**1,033.1**	**1,118.2**	**909.0**	**783.5**	**461.6**	**415.1**	**174.9**	**32.5**	**13,685.3**
Gross outstanding claims	**394.2**	**121.8**	**108.4**	**128.9**	**183.0**	**225.4**	**316.6**	**319.4**	**424.1**	**407.5**	**276.4**	**2,905.7**

Net insurance contract claims incurred as at 31 December 2023:

Accident year	Before 2014 $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	Total $m
Estimate of cumulative claims incurred												
At end of accident year		350.3	374.4	306.5	399.7	472.4	534.2	373.9	462.3	270.8	119.8	
One year later		344.6	307.3	511.5	455.6	577.6	574.8	362.8	484.2	278.4		
Two years later		305.7	292.6	532.3	424.9	543.5	520.2	386.8	450.8			
Three years later		299.8	242.9	532.7	421.7	548.5	394.9	398.7				
Four years later		292.2	270.9	492.1	425.9	365.8	365.5					
Five years later		274.2	257.7	513.7	351.1	382.4						
Six years later		258.7	242.3	436.9	357.6							
Seven years later		259.9	172.3	437.3								
Eight years later		205.6	174.7									
Nine years later		225.9										
Current estimate of cumulative claims incurred	**3,984.6**	**225.9**	**174.7**	**437.3**	**357.6**	**382.4**	**365.5**	**398.7**	**450.8**	**278.4**	**119.8**	**7,175.7**
Cumulative net claims payments in the reporting year	**3,998.9**	**244.9**	**203.0**	**434.7**	**360.1**	**380.4**	**319.2**	**275.7**	**256.0**	**84.0**	**14.2**	**6,571.1**
Net outstanding claims	**(14.3)**	**(19.0)**	**(28.3)**	**2.6**	**(2.5)**	**2.0**	**46.3**	**123.0**	**194.8**	**194.4**	**105.6**	**604.6**

(d) *Market risk*

Market risk is defined as the risk of variation in the income generated by, and the fair value of, AIUK's investment portfolio, cash and cash equivalents, and derivative contracts, including the effect of changes in foreign currency exchange rates.

Within the Company's Risk Universe six categories of market risk are defined:

- Foreign currency risk: the risk of adverse variation in the US dollar value of net assets in foreign currencies as a result of currency rate movements;

- Fixed income security risk: the risk of variation in the market value of fixed income securities or derivatives. Fixed income security risk can be further split into sub-categories including:

  Interest rate risk: the risk of variation in the market value of fixed income securities as a result of changes in prevailing interest rates. The Company classifies reinvestment risk as the risk of lower yields on the reinvestment of the proceeds from coupons payments, maturities and prepayments, which is a sub-category of interest rate risk.

  Spread risk (including default risk): the yield of a non-government fixed income security can be divided into two parts:

- The 'risk free' rate, being the yield of the treasury security issued by the country in which the issuer operates which is closest to it in maturity; and

- The 'spread' of the yield over the risk free rate (= total yield - risk free rate).

  The spread is normally positive because it represents the extra consideration required by the market to compensate for the greater risk (compared to the government issuer) of default on interest or redemption. The spread may also be influenced by the actual or perceived liquidity or marketability of the security.

  The spread of a bond also adjusts over time to reflect the spread required on similar new issues. This movement up or down in spread therefore also contributes to overall market risk and AIUK calls this 'spread risk'. AIUK also includes within spread risk the risk that a security falls in value as a result of being downgraded by a rating agency as this will also cause the spread to increase. The risk of actual default on interest or redemption as a special case of spread risk is also included. This default risk is actually a type of credit risk but it is appropriate to deal with it here under market risk because of the way it is modelled in the Internal Model as an extreme case of downgrade risk.

  Spread risk is managed by limiting the overall credit quality of the investment portfolio and the concentrations of investments with specific issuers of investments. This risk is mitigated by limiting exposure to any single counterparty;

- Equity risk: AIUK defines equity risk as the risk of adverse movements in the market price of investments (or their derivatives) other than fixed income securities. Unlike fixed income securities the value of equities is not directly linked to interest rates and spreads, there are many factors that affect the value of investments. The Company does not invest in equities so this risk is not currently relevant to the Company;

- Market risk mitigation risk: the risk of variation in the value or effectiveness of hedging positions;

- Asset concentration risk: the aggregate value of AIUK's investment portfolio may be at greater risk if it is overexposed to the same asset or a group of similar assets with similar risk dynamics. Concentrations which AIUK seeks to manage include types of asset (e.g. mortgage backed securities), economic sector of issuer, and securities of the same issuer; and

- Valuation risk: some assets within AIUK's investment portfolio can be "private assets" for which there are no readily available market prices. There is a risk that the approaches used to value these "private assets" result in incorrect current values. As at 31 December 2023 AIUK did not have any investments in "private assets".

Processes for addressing and monitoring risk

As with insurance risk, Aspen model exposure to market risk using the Internal Model to measure the associated capital requirements on both an internal basis and the Solvency II SCR (unaudited) regulatory basis. Modelling market risk exposures is a key process for monitoring and managing market risk.

The Group Investment Policy and UK Financial Risk Policy describe the investment strategy in the context of the annual business plan, asset allocation, and concentration limits at group and AIUK levels.

The UK Financial Risk Policy describes the measurement of market risks, and specifically describes what is permissible with regards to the use of derivatives in order to manage currency positions, portfolio duration, and interest rate risk in the investment portfolio.

Use of derivatives is limited to interest rate swaps, forward rate transactions, bond options, interest rate futures, foreign exchange spot and forward transactions, and currency options. During 2023, AIUK only entered into foreign exchange forward transactions.

The Asset and Liability Management Policy defines Aspen's approach to duration and currency matching. Management monitors the value, currency, and duration of cash and investments held by AIUK to ensure that it is able to meet the insurance and other liabilities as they become due. The following components of both cash matching and duration matching are employed to manage the investment portfolio:

- the average duration of liabilities;
- the outlook for interest rates and the yield curve;
- the need for cash to pay claims; and
- total return.

Material risk concentrations

As with insurance risks as well as modelling exposures and the capital required to address potential market risks using the Internal Model, AIUK has also limited its exposure to material risk concentrations.

Key Risk Limits regarding asset allocation, overall credit rating, and the volatility of AIUK's investment portfolio have been defined by management and approved by the Board. In order that AIUK can manage its currency risks within the regulatory parameters required, a Key Risk Limit approved by the Board limits the mismatch between assets and liabilities where there are material positions in currencies other than the functional currency of AIUK. The effectiveness of risk mitigation techniques is assessed through continual monitoring of the underlying risk profile and escalation of any deviations from plan.

Sensitivity analysis

Foreign currency risk

The table below depicts foreign currency exchange scenarios and the effect on profit or loss and equity from foreign currency denominated financial assets:

Movement in foreign currency %	**-10**	**+10**
31 December 2023	**$m**	**$m**
Foreign exchange - P&L gain/(loss)	**(49.1)**	**49.1**
Foreign exchange - Equity gain/(loss)	**(37.6)**	**37.6**
31 December 2022	**$m**	**$m**
Foreign exchange - P&L gain/(loss)	(42.1)	42.1
Foreign exchange - Equity gain/(loss)	(34.1)	34.1

Interest rate risk

The table below depicts interest rate change scenarios and the effect on profit or loss and equity from interest rate sensitive invested assets. The sensitivity analysis is based on debt securities and other fixed income securities and short term investments:

	$m	**$m**	**$m**	**$m**
Movement in basis points	**-200**	**-100**	**100**	**200**
31 December 2023				
Fixed income portfolio effect - P&L gain/(loss)	**89.2**	**44.6**	**(44.6)**	**(89.2)**
Fixed income portfolio effect -Equity gain/(loss)	**68.2**	**34.1**	**(34.1)**	**(68.2)**
31 December 2022				
Fixed income portfolio effect - P&L gain/(loss)	117.9	58.9	(58.9)	(117.9)
Fixed income portfolio effect -Equity gain/(loss)	95.5	47.7	(47.7)	(95.5)

Spread risk

The table below depicts spread change scenarios and the effect on profit or loss and equity from investment grade corporates:

	$m	**$m**	**$m**	**$m**
Corporate bond spreads	**-50**	**+50**	**+100**	**+200**
31 December 2023				
Fixed income portfolio effect - P&L gain/(loss)	**10.6**	**(10.6)**	**(21.2)**	**(42.3)**
Fixed income portfolio effect -Equity gain/(loss)	**8.1**	**(8.1)**	**(16.2)**	**(32.4)**
31 December 2022				
Fixed income portfolio effect - P&L gain/(loss)	14.9	(14.9)	(29.9)	(59.8)
Fixed income portfolio effect -Equity gain/(loss)	12.1	(12.1)	(24.2)	(48.4)

(e) Credit risk

Credit risk is the risk of loss to AIUK if the counterparty to a financial instrument or reinsurance agreement fails to meet its contractual obligations. AIUK is exposed to credit risk through its investment holdings and cash balances. As already stated within the Internal Model and management process, AIUK treats credit risk relating to investments (including cash and debt securities) as part of market risk.

Counterparty default risk

AIUK is also exposed to credit risk through the diminution in the value of insurance receivables as a result of counterparty default. This principally comprises default and concentration risks relating to amounts receivable from intermediaries, policyholders, and reinsurers. Reinsurance and retrocession does not isolate AIUK from its obligations to policyholders. In the event that a reinsurer or retrocessionaire fails to meet its obligation, AIUK's obligations remain.

Processes for addressing and monitoring risk

As with Insurance risk, AIUK models exposure to credit risks using the Internal Model to measure the associated capital requirements on the Solvency II SCR (unaudited) regulatory basis. Modelling of credit risk exposures is the key process for monitoring and managing credit risk.

In certain situations the Company requires reinsurers to place collateral to act as security against the credit risk arising out of reinsurance arrangements. In particular collateral is used to protect the Company against credit risk in relation to the ABL outwards quota share and the funds withheld structure of the LPT similarly protects the Company against the credit risk with Enstar resulting from the LPT.

The processes for addressing credit risk in relation to financial instruments is covered as part of the explanation of the processes to address market risk. The Group Credit Risk and UK Financial Risk policies define the processes for assessing, monitoring, and managing credit exposure to intermediaries, policyholders, and reinsurance counterparties.

Material risk concentrations

AIUK has a potential credit risk concentration in respect of amounts recoverable from reinsurers, and insurance and reinsurance balances owed by the brokers with whom it transacts business. AIUK manages the levels of credit risk by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. AIUK has risk limits for the amount of exposure to both third party and intragroup related reinsurers and any breaches of those limits are reported to the AIUK Risk and Capital Oversight Committee and Board, and the Company makes use of collateral arrangements to further reduce credit risk. The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile.

Assets - credit risk analysis	**2023**	**2022**
	$m	**$m**
Reinsurers' share of claims outstanding	**2,301.1**	2,708.4
Debtors arising out of direct insurance operations - intermediaries	**138.2**	121.3
Debtors arising out of reinsurance operations	**314.4**	478.6
Cash at bank and in hand	**79.7**	87.2
Deposits with ceding undertakings	**28.4**	29.5
Cash held with Third Party Administrators	**12.6**	10.9
Amounts due from fellow group undertakings	**55.0**	417.0
Accrued interest and rent	**9.4**	9.6
	2,938.8	3,862.5
Other financial investments		
Debt securities and other fixed income securities	**1,582.6**	1,641.8
Short term investments	**219.4**	192.5
Derivative financial assets	**4.9**	6.7
	1,806.9	1,841.0
Total assets bearing credit risk	**4,745.7**	5,703.5

Assets type by credit rating – 2023	**AAA**	**AA**	**A**	**BBB**	**Below B**	**Not rated**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Reinsurers' share of claims outstanding	—	**105.3**	**1,609.2**	**399.3**	—	**187.3**	**2,301.1**
Debtors arising out of direct insurance operations - intermediaries	—	—	—	—	—	**138.2**	**138.2**
Debtors arising out of reinsurance operations	—	—	—	—	—	**314.4**	**314.4**
Cash at bank and in hand	**3.8**	—	**75.9**	—	—	—	**79.7**
Deposits with ceding undertakings	—	—	—	—	—	**28.4**	**28.4**
Amounts due from fellow group undertakings	—	—	—	—	—	**55.0**	**55.0**
Accrued interest and rent	—	—	—	—	—	**9.4**	**9.4**
Cash held with Third Party Administrators	—	—	—	—	—	**12.6**	**12.6**
	3.8	**105.3**	**1,685.1**	**399.3**	—	**745.3**	**2,938.8**
Debt securities and other fixed income securities	**276.9**	**747.8**	**494.2**	**61.3**	—	**2.4**	**1,582.6**
Short term investments	**208.7**	**3.4**	**0.4**	**3.4**	—	**3.5**	**219.4**
Derivative financial assets	—	—	—	—	—	**4.9**	**4.9**
Total assets bearing credit risk	**489.4**	**856.5**	**2,179.7**	**464.0**	—	**756.1**	**4,745.7**

Assets type by credit rating – 2022	**AAA** $m	**AA** $m	**A** $m	**BBB** $m	**Below B** $m	**Not rated** $m	**Total** $m
Reinsurers' share of claims outstanding	—	98.7	1,842.8	548.9	—	218.0	2,708.4
Debtors arising out of direct insurance operations - intermediaries	—	—	—	—	—	121.3	121.3
Debtors arising out of reinsurance operations	—	—	—	—	—	478.6	478.6
Cash at bank and in hand	9.8	—	74.8	2.6	—	—	87.2
Amounts due from fellow group undertakings	—	—	—	—	—	417.0	417.0
Accrued interest and rent	—	—	—	—	—	9.6	9.6
Deposits with ceding undertakings	—	—	—	—	—	29.5	29.5
Cash held with Third Party Administrators	—	—	—	—	—	10.9	10.9
	9.8	98.7	1,917.6	551.5	—	1,284.9	3,862.5
Debt securities and other fixed income securities	247.0	765.1	563.8	63.1	—	2.8	1,641.8
Short term investments	153.1	27.1	4.7	3.8	—	3.8	192.5
Derivative financial assets	—	—	—	—	—	6.7	6.7
Total assets bearing credit risk	409.9	890.9	2,486.1	618.4	—	1,298.2	5,703.5

The comparative has been represented to align with the current year presentation.

The Company has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date.

An analysis of the carrying amounts of the past due debtors is presented in the table below.

2023	**Debtors arising from direct and reinsurance insurance operations** $m
Past due but not impaired debtors:	
Past due by:	
1 to 30 days	**18.6**
31 to 90 days	**17.8**
91 to 180 days	**5.6**
More than 180 days	**7.5**
Past due but not impaired debtors:	**49.5**
Impaired financial assets	**(11.6)**
Gross value of past due and impaired debtors	**37.9**
Neither past due nor impaired debtors:	**414.7**
Net carrying values	**452.6**

2022	Debtors arising from direct and reinsurance insurance operations $m
Past due but not impaired debtors assets:	
Past due by:	
1 to 30 days	18.7
31 to 90 days	11.9
91 to 180 days	8.7
More than 180 days	6.5
Past due but not impaired financial assets:	45.8
Impaired financial assets	(15.4)
Gross value of past due and impaired financial assets	30.4
Neither past due nor impaired financial assets:	569.5
Net carrying values	599.9

Impaired financial assets are raised for aged items over 365 days if debt by business segment exceeds $50k at quarter end excluding estimated premium debtor balances. A review is undertaken for total debt under $50k to ensure the exposure is no more than $0.2m. Specific provisions are also raised for outstanding premiums less than 365 days if management is made aware of possible non collection of bad debts.

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements, some of which are managed at an Aspen Group level. Management monitors the market value of the collateral, requests additional collateral when needed, and performs an impairment valuation when applicable. All collateral held is against reinsurers' share of claims outstanding. No collateral received from the counterparty has been sold or repledged (2022: $nil). Collateral is held as letters of credit, cash and other acceptable financial instruments and is not included on the balance sheet.

At 31 December 2023, the fair value of such collateral held was $2,562.4m (2022: $1.814.6m). Cover to the Aspen Group companies is $1,600.1m (2022: $1,080.3m).

Pledged Assets

At 31 December 2023 and 2022 the Company had granted charges over a variety of its assets in the ordinary course of business in respect of potential future insurance liabilities and as collateral for Letters of Credit and US and Canadian Trust funds. The charged assets comprised the following categories:

	2023 $m	2022 $m
US Surplus Lines Trust	**73.0**	104.7
US Reinsurance Trust Fund	**816.2**	893.6
Australia Branch	**50.3**	124.7
Canadian Branch	**168.5**	137.1
Other	**292.9**	305.7
	1,400.9	1,565.8

'Other' comprises of smaller branches and pledges for various regulatory requirements. The required amount is reviewed quarterly and the pledged assets are adequately adjusted to meet the regulatory requirements of the branch or relevant jurisdictions. The pledged assets comprise of mainly AAA rated securities and cash. The Company had no other contingencies or other liabilities at the reporting date.

(f) Liquidity risk

Liquidity risk is defined as the risk of failing to maintain sufficient liquid financial resources to meet liabilities as they fall due or to provide collateral as required for commercial or regulatory purposes.

Liquidity risk includes the following:

i) Payment default risk: the risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, sale of assets, or capital raising;
ii) Risk of unplanned asset realisation losses: the risk that securities are required to be sold at a loss to meet liquidity requirements;
iii) Risk of failure of credit facility: the risk that advances from the credit facility are unavailable;
iv) Group liquidity risk: the risk that liquidity cannot be secured for a Group company from elsewhere in the Group; and
v) Collateral risk: the risk that AIUK is unable to provide collateral to a third party when contractually required to do so.

Processes for addressing and monitoring risk

Unlike insurance, market, and credit risk, AIUK does not model and manage liquidity risk using its Internal Model as it is not a risk that is mitigated by holding capital against it. AIUK's annual Stress & Scenario Testing ("SST") process is used to determine the basis of the key liquidity risk limit. The Group Liquidity Risk and UK Financial Risk policies provide further details of how liquidity risks are identified, monitored, managed, and modelled. This includes details of an escalation process for a breach of the minimum free funds limit.

Material risk concentrations

AIUK limits its exposure to material risk concentrations through the operation of the Group Liquidity Risk and UK Financial Risk Policies. These highlight the measures that Aspen have put in place in order to maintain an agreed amount of unencumbered assets in cash and cash equivalents. These measures include concentration limits to ensure the liquidity of assets, appropriateness of the marketability or realisability of assets.

Liquidity stress testing is carried out against AIUK's and the Group's risk profiles at least annually by the Risk Management department as part of the Stress and Scenario Testing programme. This allows management to identify the potential strains on AIUK's liquidity as a result of the scenarios assessed as well as gaining understanding of the Group's ability to support the liquidity needs of entities such as AIUK as the need arises. Cash flow forecasting is also used to reduce liquidity risk. The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile. The tables below analyse the Company's assets and liabilities into their relevant maturity groups. For financial instruments this is based on the period remaining at the year end to their contractual maturities, and for insurance contract assets and liabilities it is based on their expected settlement dates:

Assets - liquidity analysis

31 December 2023	Carrying Amount	Total Cash Flows	Within 3 months	Up to 1 year	1-3 years	3-5 years	Over 5 years
	$m	$m	$m	$m	$m	$m	$m
Other financial investments	**1,806.9**	**1,892.3**	**217.7**	**271.4**	**694.2**	**390.9**	**318.1**
Reinsurer's share of claims outstanding	**2,301.1**	**2,301.1**	—	**341.6**	**379.8**	**413.1**	**1,166.6**
Deposits with ceding undertakings	**28.4**	**28.4**	—	**28.4**	—	—	—
Debtors arising out of direct insurance operations	**138.2**	**138.2**	—	**138.2**	—	—	—
Debtors arising out of reinsurance operations	**314.4**	**314.4**	—	**314.4**	—	—	—
Amounts due from fellow group undertakings	**55.0**	**55.0**	—	**55.0**	—	—	—
Other debtors	**12.6**	**12.6**	—	**12.6**	—	—	—
Total	**4,656.6**	**4,742.0**	**217.7**	**1,161.6**	**1,074.0**	**804.0**	**1,484.7**

31 December 2022	Carrying Amount	Total Cash Flows	Within 3 months	Up to 1 year	1-3 years	3-5 years	Over 5 years
	$m	$m	$m	$m	$m	$m	$m
Other financial investments	1,841.0	2,057.9	—	318.6	976.2	363.2	399.9
Reinsurer's share of claims outstanding	2,708.4	2,708.4	—	662.6	529.4	342.1	1,174.3
Deposits with ceding undertakings	29.5	29.5	—	29.5	—	—	—
Debtors arising out of direct insurance operations	121.3	121.3	—	121.3	—	—	—
Debtors arising out of reinsurance operations	478.6	478.6	—	478.6	—	—	—
Amounts due from fellow group undertakings	417.0	417.0	—	417.0	—	—	—
Other debtors	10.9	10.9	—	10.9	—	—	—
Total	5,606.7	5,823.6	—	2,038.5	1,505.6	705.3	1,574.2

The comparative has been represented to align with the current year presentation.

Liabilities - liquidity analysis

31 December 2023	**Carrying Amount**	**Total Cash Flows**	**Up to 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Claims outstanding	**2,905.7**	**2,905.7**	**431.4**	**479.6**	**521.6**	**1,473.1**
Amounts due to group undertakings	**101.6**	**101.6**	**101.6**	—	—	—
Creditors arising out of direct insurance operations	**60.4**	**60.4**	**60.4**	—	—	—
Creditors arising out of reinsurance operations	**819.0**	**819.0**	**632.6**	**61.9**	**33.5**	**91.0**
Other creditors	**18.8**	**18.8**	**18.8**	—	—	—
Accruals and deferred income	**38.8**	**38.8**	**38.8**	—	—	—
Total	**3,944.3**	**3,944.3**	**1,283.6**	**541.5**	**555.1**	**1,564.1**

31 December 2022	**Carrying Amount**	**Total Cash Flows**	**Up to 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Claims outstanding	3,428.5	3,428.5	839.3	670.0	433.0	1,486.2
Amounts due to group undertakings	276.5	276.5	276.5	—	—	—
Creditors arising out of direct insurance operations	26.4	26.4	26.4	—	—	—
Creditors arising out of reinsurance operations	955.9	955.9	693.8	87.0	47.1	128.0
Other creditors	18.0	18.0	18.0	—	—	—
Accruals and deferred income *Restated	46.8	46.8	46.8	—	—	—
Total	4,752.1	4,752.1	1,900.8	757.0	480.1	1,614.2

*The restatement is detailed in Note 26.

3. Analysis by class of business

Year 2023	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting result
	$m	$m	$m	$m	$m	$m
Direct insurance:						
Fire and other damage to property	168.1	168.8	(113.3)	(35.1)	(18.3)	2.1
Third party liability	120.4	127.1	(68.1)	(26.2)	(25.0)	7.8
Marine, aviation and transport	7.6	9.5	(13.1)	(2.9)	(5.3)	(11.8)
Credit and suretyship	31.2	34.6	(2.5)	(10.0)	(17.7)	4.4
	327.3	340.0	(197.0)	(74.2)	(66.3)	2.5
Reinsurance acceptances:						
Credit and suretyship	9.1	35.8	15.0	(10.2)	(40.4)	0.2
Fire and other damage to property	52.5	70.5	(41.7)	(19.1)	(12.7)	(3.0)
Miscellaneous	0.1	0.1	0.5	(1.5)	(1.9)	(2.8)
Marine, aviation and transport	9.2	10.5	(14.9)	(1.2)	9.3	3.7
Motor (third-party liability)	4.9	4.9	9.5	1.1	(9.9)	5.6
Third party liability	24.9	75.8	1.0	(12.2)	(46.5)	18.1
	100.7	197.6	(30.6)	(43.1)	(102.1)	21.8
	428.0	537.6	(227.6)	(117.3)	(168.4)	24.3

Year 2022	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting result
	$m	$m	$m	$m	$m	$m
Direct insurance:						
Fire and other damage to property	163.8	163.9	(75.3)	(31.0)	(43.4)	14.2
Third party liability	141.0	160.1	(147.6)	(33.4)	18.8	(2.1)
Marine, aviation and transport	3.1	16.2	(27.7)	(7.4)	22.5	3.6
Credit and suretyship	27.4	25.0	11.9	(13.4)	(27.1)	(3.6)
	335.3	365.2	(238.7)	(85.2)	(29.2)	12.1
Reinsurance acceptances:						
Credit and suretyship	20.4	52.6	1.4	(20.5)	(32.1)	1.4
Fire and other damage to property	99.9	204.4	(151.1)	(66.1)	2.8	(10.0)
Miscellaneous	—	0.2	2.9	(8.3)	(5.0)	(10.2)
Marine, aviation and transport	21.9	42.8	(28.7)	(13.0)	(3.3)	(2.2)
Motor (third-party liability)	6.0	4.6	10.7	(4.2)	(18.7)	(7.6)
Third party liability	104.6	217.3	(133.9)	(71.2)	(24.6)	(12.4)
	252.8	521.9	(298.7)	(183.3)	(80.9)	(41.0)
	588.1	887.1	(537.4)	(268.5)	(110.1)	(28.9)

The underwriting result represents the balance on the technical account before investment income. The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation as noted in note 6.

The above analysis does not reflect the way in which the business is managed. For example, ceding commission is applied consistently across each line of business above, however this does not reflect the known differences in acquisition costs between lines of business.

Geographical analysis

The following is a breakdown by geography of the gross written premium, (on the basis of the country where AIUK had operations writing the business):

	2023	**2022**
	$m	**$m**
United Kingdom	**397.5**	443.0
USA	**4.0**	87.6
Switzerland	**4.1**	11.5
Canada	**24.3**	37.8
Australia	**1.0**	7.2
Singapore	**(2.9)**	1.0
	428.0	588.1

4. Net Claims Incurred

	2023	**2022**
	$m	**$m**
Current year claims movement	**(121.7)**	(276.8)
Prior years' claims movement	**19.4**	18.8
	(102.3)	(258.0)

5. Other Expenses / Income

Other expenses of $16.0m (2022: $43.6m income) comprised largely of realised and unrealised foreign exchange losses, where interest rate volatility has contributed towards exchange rate volatility. In 2022, $19.0m of other income related to the sale of the renewal rights for the Aspen Re America ("ARA") business.

6. Net Operating Expenses

	2023 $m	2022 $m
Gross acquisition costs	**72.0**	148.7
Change in gross deferred acquisition costs	**20.9**	70.6
	92.9	219.3
Administrative expenses	**28.8**	60.1
Gross operating expenses	**121.7**	279.4
Reinsurance commission and profit participation	**(54.8)**	(143.1)
Change in deferred RI acquisition costs	**(4.4)**	(10.9)
	62.5	125.4

Commissions in respect of direct insurance business amounted to $46.0m (2022: $49.0m).

7. Investment Return

	2023 $m	2022 $m
Interest income from fixed term investments	**54.1**	36.5
Net gains/(losses) on realisation of investments:		
Fair value through profit or loss designated upon initial recognition	**(19.6)**	(32.8)
Realised gains/(losses) on derivative contracts	**9.4**	(36.0)
Total income/(expense)	**43.9**	(32.3)
Net unrealised gains/(losses) on investments:		
Financial instruments at fair value through profit or loss	**57.2**	(159.3)
Unrealised gains/(losses) on derivatives contracts	**1.8**	(0.6)
Investment expenses and charges	**(9.6)**	(1.2)
Total investment return	**93.3**	(193.4)

Included within investment expenses and charges in 2023 is $8.6m relating to the interest paid on funds withheld. The 2022 comparative of $7.3m is included in interest income from fixed term investments and was not restated in the prior year on the grounds of materiality.

8. Profit and Loss Account

Profit/(loss) before tax is stated after charging:

	2023 $m	2022 $m
Defined contribution plan expense	**0.9**	1.2
LTIP payments made to directors and employees (Note 21)	**0.4**	0.1
Auditor's remuneration:		
Audit of these financial statements	**0.9**	1.4
Amounts receivable by the auditors and their associates in respect of:		
Audit related assurance services	**0.2**	0.4

Fees paid to the auditors for the supply of other services are borne by other group undertakings.

9. Directors' Remuneration

The aggregate remuneration of the Directors was as follows:

	2023 $m	2022 $m
Aggregate remuneration	**1.3**	1.2
	1.3	1.2

No (2022: none) Directors exercised share options in respect of qualifying services under long term incentive schemes. No (2022: none) advances or credits were granted to any Director subsisted during the year and no (2022: none) guarantees on behalf of any Director were subsisted during the year.

Highest Paid Director

	2023 $m	2022 $m
Aggregate emoluments and benefits	**0.5**	0.4
	0.5	0.4

In respect of the highest paid Director no share options in respect of qualifying services under long term incentive schemes were received in the year and no shares were receivable in respect of qualifying services under long-term incentive schemes.

10a. Taxation

Tax on profit on ordinary activities

	2023 $m	2022 $m
U.K. corporation tax charge		
Current tax charge on result for the year	**(9.9)**	(0.6)
Adjustments in respect of prior periods	**6.4**	—
Total UK current tax charge	**(3.5)**	(0.6)
Foreign tax		
Current tax charge on foreign income for the year	**(2.6)**	(2.8)
Adjustments in respect of prior periods	**(1.8)**	(3.1)
Total current tax charge	**(7.9)**	(6.5)
Deferred tax		
Origination / reversal of timing differences	**(9.8)**	22.7
Adjustments in respect of prior periods	**(1.5)**	(1.5)
Effect of change in tax rates	**0.1**	3.0
Total deferred tax (charge) / credit	**(11.2)**	24.2
Tax (charge) / credit on profit on ordinary activities	**(19.1)**	17.7

The Organisation for Economic Co-operation and Development ("OECD") released the Pillar Two framework to ensure that large multinational enterprises pay a minimum effective corporate tax rate of 15% on the income arising in each jurisdiction in which they operate.

On 11 July 2023, the UK enacted The Finance (No.2) Act 2023, which includes legislation to implement the OECD Pillar Two income inclusion rule (IIR) in the United Kingdom. The UK published further proposed legislation to implement the OECD Pillar Two undertaxed profits rule (UTPR). On 27 December 2023, Bermuda enacted the Corporate Income Tax Act 2023, introducing a 15% corporate tax that applies to Bermuda businesses that are part of multinational enterprise groups. This will reduce or eliminate the future impact of UTPR on AIUK. We continue to monitor and evaluate developments relating to Pillar Two across all the jurisdictions in which we operate.

10b. Factors affecting the tax charge for the current period

The tax charge (2022: credit) for the period is lower (2022: lower) than the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%). The differences are reconciled below.

	2023 $m	2022 $m
Tax reconciliation		
Profit / (loss) before tax	**101.6**	(178.8)
Current tax (charge) / credit at 23.5% (2022: 19.0%)	**(23.9)**	34.0
Effects of:		
Impact of overseas tax	**(1.0)**	0.9
Foreign exchange	**0.7**	(0.6)
Adjustments in respect of prior periods	**3.1**	(4.6)
Remeasurement of deferred tax for changes in tax rates	**0.1**	3.0
Deferred tax not recognised	**1.9**	(15.0)
Total tax (charge) / credit	**(19.1)**	17.7

10c. Deferred Taxation

The UK's main rate of corporation tax increased from 19% to 25%, effective from 1 April 2023. Deferred tax relating to timing differences that are expected to reverse in future periods have been measured using a tax rate of 25%

The deferred tax asset recognised in the financial statements is as follows:

	2023 $m	2022 $m
Temporary differences related to overseas branches	**(1.6)**	(0.7)
Temporary differences related to FRS 102 transitional adjustments	**(0.1)**	(0.2)
Losses carried forward	**23.9**	34.3
	22.2	33.4

The Finance Act 2021 was enacted on 10 June 2021 and increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Deferred tax of $23.9m (2022: $34.3m) has been recognised on $95.8m (2022: $140.9m) of losses carried forward at an average tax rate of 25% (2022: 24.4%) over the next 3 years. Deferred tax on $77.4m (2022: $128.0m) of losses carried forward has not been recognised as there are insufficient profits in the Company's business plan to utilise these.

11. Tangible Assets

Details of tangible asset net book values as at the balance sheet date by major category are given below:

	Office & Other Equipment	Leasehold Improvements	Hardware & Software	Total Assets
		($ in millions)		
Cost				
At 1 January 2023	2.4	14.9	56.4	73.7
Disposals	(2.4)	(14.9)	(56.4)	(73.7)
At 31 December 2023	—	—	—	—
Depreciation				
At 1 January 2023	(2.4)	(14.4)	(56.4)	(73.2)
Disposals	2.4	14.4	56.4	73.2
At 31 December 2023	—	—	—	—
Net Book Value				
At 31 December 2022	—	0.5	—	0.5
At 31 December 2023	—	—	—	—

12. Other Financial Assets and Liabilities

	2023 Cost	2023 Market Value	2022 Cost	2022 Market Value
	$m	$m	$m	$m
Financial assets at fair value through profit and loss				
Derivative assets held at fair value through profit and loss	**4.9**	**4.9**	6.7	6.7
Debt securities and other fixed income securities	**1,693.2**	**1,582.6**	1,824.2	1,641.8
Short term investments	**217.7**	**219.4**	192.7	192.5
Financial assets at fair value through profit and loss	**1,915.8**	**1,806.9**	2,023.6	1,841.0
Financial liabilities at fair value				
Derivative liabilities held at fair value through profit and loss (Refer to Note 16)	**8.2**	**8.2**	11.7	11.7

Included within short term investments are cash and cash equivalents of $77.5m (2022: $86.3m). Refer to Note 14.

Listed Investments

Included in the carrying values above are amounts in respect of listed investments as follows:

	2023 Cost	2023 Market Value	2022 Cost	2022 Market Value
	$m	$m	$m	$m
Financial assets at fair value				
Debt securities and other fixed income securities	**1,508.0**	**1,412.8**	1,632.9	1,473.8
Short term investments	**72.8**	**74.5**	28.8	28.6
Total financial assets	**1,580.8**	**1,487.3**	1,661.7	1,502.4

Derivative financial instruments, at fair value through profit or loss

The Company uses limited forward foreign currency contracts to mitigate some adverse movements associated with changes in foreign exchange rates in respect of changes in the foreign currency rate from the collection of premiums to the payment of claims by fixing the rate of any material payments in a foreign currency.

	2023	2022
	$m	$m
Total derivative assets	**4.9**	6.7
Total derivative liabilities	**8.2**	11.7

Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted market prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and;

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following tables present the Company's assets and liabilities measured at fair value at 31 December 2023 and 31 December 2022:

	Level 1 $m	Level 2 $m	Level 3 $m	2023 Total $m
Financial assets at fair value				
Debt securities and other fixed income	**579.4**	**1,003.2**	—	**1,582.6**
Short term investments	**72.8**	**146.6**	—	**219.4**
Derivatives	—	**4.9**	—	**4.9**
Total	**652.2**	**1,154.7**	—	**1,806.9**
Financial liabilities at fair value				
Derivatives	—	**(8.2)**	—	**(8.2)**
Net total	**652.2**	**1,146.5**	—	**1,798.7**

	Level 1 $m	Level 2 $m	Level 3 $m	2022 Total $m
Financial assets at fair value				
Debt securities and other fixed income	575.5	1,066.3	—	1,641.8
Short term investments	192.5	—	—	192.5
Derivatives	—	6.7	—	6.7
Total	768.0	1,073.0	—	1,841.0
Financial liabilities at fair value				
Derivatives	—	(11.7)	—	(11.7)
Net total	768.0	1,061.3	—	1,829.3

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date as described in the accounting policy. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed debt securities.

Instruments included in Level 2 are generally based on composite prices of recent trades in the same instrument and comprise primarily US Government and Agency Securities, Municipal Securities, Non-US Government Securities, Corporate Securities, and Mortgage-backed Securities.

The Company closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Company has no level 3 instruments (2022: none).

Transfers of assets into or out of a particular level are recorded at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value.

13. Debtors

	2023	2022
Debtors arising out of direct insurance operations - intermediaries	**$m**	**$m**
Amounts due in less than one year	**123.1**	37.6
Amounts due in greater than one year	**15.1**	83.7
	138.2	121.3
Debtors arising out of reinsurance operations		
Amounts due in less than one year	**246.0**	397.0
Amounts due in greater than one year	**68.4**	81.6
	314.4	478.6

Other Debtors

	2023	2022
	$m	**$m**
Deferred tax asset (note 10c)	**22.2**	33.4
Corporation tax asset	**—**	3.7
Sundry debtors	**2.8**	8.2
Cash held with Third Party Administrators	**12.6**	10.9
	37.6	56.2

14. Cash and cash equivalents

	2023	2022
	$m	**$m**
Cash at bank and in hand	**79.7**	87.2
Cash equivalents	**77.5**	86.3
	157.2	173.5

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date. The comparative has been represented to align with the current year presentation.

15. Amounts due to / from fellow group undertakings

	2023 $m	2022 $m
Amounts due to fellow group undertakings	**101.6**	276.5
Amounts due from fellow group undertakings	**55.0**	417.0

In 2023 the following inter-company loans were settled:

- $24.0m (2022: $24.0m) loan issued on 1 April 2017 by AIUK to AIUKS, bearing interest of 5.6% per annum with a maturity date of 1 April 2027;
- $8.6m (2022: $8.6m) loan issued on 15 December 2014 by AIUK to Aspen U.S. Holdings, Inc., bearing interest of 4.35% with a maturity date of 15 December 2024; and
- $100.0m (2022: $100.0 m) loan issued on 20 December 2022 by AIUK to AUKH, bearing interest of 6.50%. with a maturity date of 20 June 2023. Refer to Note 23.

16. Creditors

	2023	2022
Creditors arising out of direct insurance operations - intermediaries	**$m**	**$m**
Amounts due in less than one year	**60.4**	26.4
	60.4	26.4
Creditors arising out of reinsurance operations		
Amounts due in less than one year	**632.7**	693.8
Amounts due in greater than one year	**186.3**	262.1
	819.0	955.9

Other Creditors

	2023 $m	2022 $m
Fair value in respect of derivatives	**8.2**	11.7
Corporation tax	**1.4**	—
Other indirect taxes	**9.2**	6.3
	18.8	18.0

17. Deferred Acquisition Costs

Gross acquisition costs	2023 $m	*Restated 2022 $m
At 1 January	**72.3**	144.0
Acquisition costs incurred	**71.9**	148.7
P&L movement on deferred acquisition costs during the year	**(92.8)**	(219.3)
Exchange adjustments	**2.5**	(1.1)
At 31 December	**53.9**	72.3

RI acquisition costs	2023 $m	*Restated 2022 $m
At 1 January	**(15.8)**	(26.9)
Acquisition costs incurred	**(54.8)**	(143.1)
P&L movement on deferred acquisition costs during the year	**59.2**	154.0
Exchange adjustments	**(1.5)**	0.2
At 31 December	**(12.9)**	(15.8)

*The restatement is detailed in Note 26

18. Technical Provisions

	2023		2022	
	Claims Reserves	Unearned Premium Reserves	Claims Reserves	Unearned Premium Reserves
	$m	$m	$m	$m
Gross of reinsurance				
At 1 January	**3,428.5**	**371.5**	3,780.3	677.8
Movement in the year	**(565.1)**	**(109.6)**	(254.6)	(299.0)
Exchange adjustments	**42.3**	**6.7**	(97.2)	(7.3)
At 31 December	**2,905.7**	**268.6**	3,428.5	371.5
Reinsurance				
At 1 January	**2,708.4**	**104.6**	2,553.0	153.7
LPT day 1 transfer	—	—	395.3	—
Movement in the year	**(427.9)**	**(34.8)**	(399.6)	(48.6)
Exchange adjustments	**20.6**	**3.6**	159.7	(0.5)
At 31 December	**2,301.1**	**73.4**	2,708.4	104.6

Included within the net technical provisions is an estimate of $326.2m (2022: $309.1m) for incurred but not reported claims.

19. Accruals and deferred income

	2023	2022
	$m	$m
Profit commission accrual	**(6.9)**	(7.9)
Other accruals	**(19.0)**	(23.1)
Reinsurers' share of deferred acquisition costs	**(12.9)**	(15.8)
Total	**(38.8)**	(46.8)

20. Share Capital and Reserves

The paid up capital is set out below:

	2023		2022	
	£m	$m	£m	$m
Allotted, issued and fully paid up 410,000,000 (2022: 410,000,000) ordinary shares of £1 each	**410.0**	**614.9**	410.0	614.9

The capital contribution reserve consists of the cumulative amount of capital paid in by the parent entity. The Company received capital contributions of $150m and $320m from its former immediate holding company, AUKH, on 23 March 2006 and 22 March 2011, respectively.

The Company was sold to AEHL on 26 February 2015 through an internal re-organisation to optimise the Company's regulatory structure. On 22 December 2020 the Company received a further capital contribution of $85m from AEHL. The company received a further two cash capital contributions of $50m each in July 2021 from AEHL.

On 19 June 2023 and 08 December 2023 two dividends of $100m each were declared and paid to its parent AEHL.

21. Long Term Incentive Schemes

Following the merger agreement between Apollo Global Management and Aspen Insurance Holdings Limited the Company implemented a new long-term incentive scheme, under which annual awards are split equally between Performance Units and Exit Units. Performance units vest after two years subject to Aspen Group achieving certain thresholds of operating income over a two year period. Exit Units vest upon change of control (sale or IPO) and achieving predetermined multiplies of invested capital return targets. Both Performance Units and Exit Units are cash-based awards. The LTIS is recharged from Aspen Insurance UK Service Ltd as an expense.

22. Commitments

The Company has no capital commitments authorised or contracted for at the year-end. Future minimum rentals payable under non-cancellable operating leases are as follows:

	2023	2022
	$m	$m
Within one year	3.3	3.2
Between one and five years	13.2	12.5
After five years	2.1	7.8
	18.6	23.5

The expense in the year for operating leases amounted to $3.3m (2022: $4.3m).

23. Related Parties Transactions

The Company is exempt from disclosing related party transactions with fellow subsidiaries which are also wholly owned by AIHL. During the period the Company entered into transactions, in the ordinary course of business, with related parties which are not wholly owned by AIHL.

Apollo Asset Management Europe PC LLP

Apollo's indirect subsidiary, Apollo Asset Management Europe PC LLP ("AAME"), serves as the investment manager for the Company. It provides centralised asset management, investment advisory and risk services for the portfolio of the Company's investments pursuant to the investment management agreements ("IMAs") that have been entered into with AAME.

AAME is integrated into the Apollo investment platform and provides the Company with access to Apollo's investment expertise and fully built infrastructure without the burden of incurring the development and maintenance costs of building an in-house investment asset manager with the capabilities of Apollo/AAME.

AAME is registered in England and Wales and is authorised and regulated by the Financial Conduct Authority in the United Kingdom under the Financial Services and Markets Act 2000 and the rules promulgated thereunder for the primary purpose of providing a centralised asset management and risk function to European clients in the financial services and insurance sectors. AAME has necessary permissions to engage in certain specified regulated activities including providing investment advice, undertaking discretionary investment management, and arranging deals in relation to certain types of investment.

In April 2019, following the completion of the merger between Apollo Global Management and Aspen Insurance Holdings Limited, AAME was engaged as the investment advisor for the Company to manage the assets of the Company. AAME is paid an annual investment management fee (the "Management Fee") which is based on a cost-plus structure. The "cost" is comprised of the direct and indirect fees, costs, expenses, and other liabilities arising in or otherwise connected with the services provided under the IMAs. The "plus" component will be a mark-up in an amount of up to 25% determined based on an applicable transfer pricing study. The Management Fee is subject to certain maximum threshold levels, including an annual fee cap of 15 bps of the total amount of investable assets. Affiliated sub-advisors, including AMI and AMC, will also earn additional fees for sub-advisory services rendered.

During the year ended December 31, 2023, the Company recognised IMA fees of $0.5m (2022: $0.8m), of which $0.1m (2022: $0.2m) remains payable to AAME at year end.

Other related party transactions

On 19 June 2023 the loan of $100.0m to Aspen Holding UK Limited was reassigned to AEHL, as consideration for a dividend payment to AEHL. On 08 December 2023 a second dividend of $100m was declared and paid to its parent AEHL.

The Company has the following internal reinsurance arrangements:

- 70% outward quota share with ABL;
- 20% inward quota share with ABL;
- 50% inward quota share with Syndicate 4711;
- Reciprocal ($10m excess $10m) excess of loss reinsurance with Syndicate 4711; and
- 100% outward quota share with ASIC (this arrangement ceased on 01 September 2023).

2023	**ABL Outwards QS**	**ABL Inwards QS**	**Syndicate 4711 QS**	**Syndicate 4711 XOL**	**ASIC**
	$m	**$m**	**$m**	**$m**	**$m**
Premium balances ceded to/(from)	**203.1**	**(83.7)**	**0.4**	**—**	**25.2**
Claims balances ceded to/(from)	**(97.4)**	**43.8**	**4.0**	**(0.1)**	**(5.0)**
Ceding commission to/(from)	**(35.8)**	**25.5**	**(0.1)**	**—**	**0.3**
Year end debtor/(creditor) balance	**(15.8)**	**52.5**	**(48.3)**	**—**	**2.5**

2022	**ABL QS**	**ABL QS**	**Syndicate 4471 QS**	**Syndicate 4471 XOL**	**ASIC fronting**
	$m	**$m**	**$m**	**$m**	**$m**
Premium balances ceded to/(from)	316.7	(78.9)	(2.3)	—	39.6
Claims balances ceded to/(from)	(162.0)	46.9	(18.4)	(1.8)	(28.4)
Ceding commission to/(from)	(114.7)	25.2	0.6	—	0.4
Year end debtor/(creditor) balance	52.5	39.6	(41.4)	—	6.3

24. Ultimate Holding Company

The ultimate parent company of the Group as at 31 December 2023 was Highlands Bermuda HoldCo, Ltd., incorporated in Bermuda. The largest and smallest group in which the results of the Company are consolidated is that headed by AIHL. The consolidated accounts of this company are available to the public and may be obtained from The Company Secretary, Aspen Insurance Holdings Limited, c/o 30 Fenchurch Street, London, EC3M 3BD.

25. Subsequent events

The Company is in the process of performing a capital restructure whereby ordinary share capital will be transferred to capital contribution to free up dividend capacity.

The ABL inwards quota share agreement will reduce from 20% to 15% from the period starting 01 January 2024. This will result in a reduction in GWP of approximately $20m in 2024.

26. Restatement

Correction of balance sheet classification errors

During 2023, the Directors corrected the presentation of deferred ceding commission that was previously offset against gross deferred acquisition costs in the balance sheet and determined that these amounts should be separately presented in line with the requirements of FRS 103 which prohibits offsetting where no legal right to offset exists. This adjustment has been applied retrospectively as, in the opinion of the Directors, it is material to the financial statements. The effect of this adjustment on the balance sheet is set out below.

This adjustment has no impact on amounts reported in the income statement as the movement in both gross and ceded deferred acquisition costs are reported within net operating expenses:

BALANCE SHEET - ASSETS	**2022 as previously reported**	**Adjustment**	**2022 Restated**
	$m	**$m**	**$m**
Prepayments and accrued income			
Deferred acquisition costs	**56.5**	**15.8**	**72.3**
Effects on total assets	**56.5**	**15.8**	**72.3**

BALANCE SHEET - LIABILITIES	**2022 as previously reported**	**Adjustment**	**2022 Restated**
	$m	**$m**	**$m**
Accruals and deferred income	**31.0**	**15.8**	**46.8**
Effects on total liabilities	**31.0**	**15.8**	**46.8**